for CONSTRUCTION

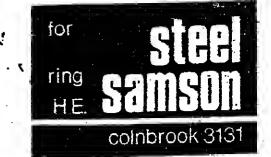
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GENERAL

Soccer bribes lead to ban

Italy's most popular footballer, Paolo Rossi, has been banned from playing for three years by hi spational Football Association following an investigation into a an investigation into a nationwide bribery scandal.

The association has also relegated the 1979 League champlons, AC Milan, to the Second Division for its part in the affair, and suspended other out of the European Nations Cup finals which take place in Italy next month.

> Players and club officials involved were said to have received money from gamblers in return for fixing some League

Uganda Cabinet

. Uganda's ruling military commission bas appointed a new Cabinet which strengthens former President Milton Obote's party. Page 3

New government

King Bandouin of Belgium has named a new Government led by Prime Minister Wilfried Mariens, ending a five-week-old political crisis.

Martial law

The Army has taken control of South Korea with the imposition of martial law following violent student demonstrations. Page 3

Sadat plan

Egypt's President Sadat has presented Israel with proposals. for reopening negotiations on Palestinlan autonomy for the West Bank and Gaza Strip.

China's rocket

110.4 CH 10

China successfully launched an in er-continental : rocket 6,000 nules into the Pacific. Page 3

Peru elections . Peru went to the polls to elect

a civilian government after 12 years of military dictatorship.

Riots kill 10

At least 10 people died during riots in Miami which began after four white ex-policemen had been cleared of killing a

UN death theory

new investigation into the death of former United Nations Secretary General Dag Hammerskjoeld says that his plane was attacked by white mercenaries m Africa.

£im fires.

Forest fires throughout Britain doring the past fiva weeks have caused damage of more than fim. Page 6

Jet found Divers have found the wreck of

during a display, but recovery is expected to take several days. £30m probes City of London Police dealt

with allegations of major frauds involving about \$30m last year. Briefly . . .

Ranned motorists abould take driving tests before being allowed back onto the roads, the British Safety Council says. Mail, Telex and some telaphone charges in the Irish Republic rise by up to 20 per cent today. Carles Reviemann of Argentina won the Monaco Grand Prix in

PUBLISHER'S NOTICE

The Financial Times apologises for errors contained in this issue which are duc to difficult Development Institute report

ties in the reading department. claims. Page 4

Pakistan: Pressure on Editorial comment: Moscow Egypt: Sadat confronts his opposition lanagement: Thyssen fights Survey;

ent **Gd**e.

Jefet Pi

Menagament Page: Map and Matters... O'seas News... Parly Diary

Today's Events ... 15 Unit Truste

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TUC to study **CBI** draft

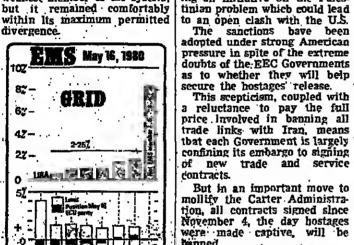
BUSINESS

 TUC officials are studying the draft of a framework agree-ment submitted by the CBI on the introduction of new technology into companies. Back

• FRENCH franc remained the most improved currency in the European Monetary System in a week where trading was curtailed by national holidays and atrike action.

The Beigian franc improved over the Irish punt and main-tained ita place above the Danish krone and Italian lira, despite further cuts in Belgian sbort-term interest rates:

The West German D-mark was the third most improved currency behind the Dutch guilder and French franc. The Italian lira was again the weakest member of the system, but it remained comfortably



the crosscrates. From which no cur-rancy (except little ine) may move more then 2- the cage, The lower chart gives each currency's divergence-from its cantral rate against the European Currency Unix (ECU), itself a basker of European currencies.

• STOCK EXCHANGE is under extreme political, economic and commercial pressure and its. future structure is unclear, chairman Nicholas Goodison

warned. Page 6 • TURKEY is understood to be considering the sale of up to per cent of the Tumosan holding company, set up by the Government to develop an indigenous car engine industry.

• COAL from the UK will be providing petrol for motorists and aircraft fuel within the next two decades, National Coal Board chairman Sir Derek Ezra

said. Page 8 • DECISION by the Government is expected in the next few weeks on the futore of Harland and Wolff, the heavily subsidised Belfast shipyard.

Back Page • NUMBER of ships laid up the RAF Hawk let which has started to rise for the first crashed into the sea off Brighton time in a year because of depressed rates in the tanker markets Back Page

• FT CONSUMER confidence index rose 11 per cent to minua 26 per cent; its highest for a

year, Page 7 • URGENT TUC action to stop other union members taking over laggers' work at the Isle of Grain power station was demanded by GMWU general secretary David Basnett, Page 8

MANUFACTURERS must assess themselves the bazards of the processes and materials they are using. Health and Safety Executive director-general John Locke said. Page 7

THIRD WORLD'S Newly Industrialised Countries are being used by ailing UK industries as "a ready scapegoat" to obtain prolectionist foreign trade policies, an Overseas

CONTENTS

General Zia 14 courts West, Japanese Newsprint: The industry's politics 14 struggle to survive 15 Lombard: Time to talk to TUC, Samuel Brittan ... 16.

French Foreign Minister, ia with

day as a gesture of support for stressing yestarday that the the U.S. battle to secure release sanctions will be far more costly for Europe than the more Security Council resolution compherensive embargo being applied by the U.S.

Council resolution on vetoed by the Soviet Union on January 10 which, if passed. But the fact that many large contracts are excluded, includ-ing Italy's \$3bn of construction work, the Talbot motor company's supply of car kits from the UK and several large Lest

The Nine to start

sanctions against

Iran on Thursday

BY JOHN WYLES IN NAPLES

THE NINE membar-Govern-

ments of the European Com-munity will impose partial trade

sanctions on Iran from Thnrs-

Though the sanctions that

each individual government will apply fall short of what seemed

the Nine's original Intentions,

the move is one of the most im-

portant foreign policy actions

It was confirmed here in a

fident way in which the Nine

are aeeking joint policies on other major international issues, notably Afghanistan and

a Middle East peace settlement.

Significantly, they are prepar-

But in an important move to

BY ELINOR GOODMAN, LOBBY STAFF

included in the next session of a sensitive area.

If agreement can he reached,

a Bill devolving powers to a Northern Ireland Assembly may

also be included in what should

he a much lighter legislative

Ministers have no agreed the

outline of the next Queen's:

Speech, to be autounced in the autumn, and it looks like con-

talming far fewer contentious

bills than this session, when the

Government was trying to implement as many of its

benchers had boped for more legislation to deal with the

trade unions. But Mr. James

commitments .. as

programme next session.

LEGISLATION TO SPLIT the Prior, the Employment Secre-British National Oil Corporation tary, is likely to continue

in two, together with a new arguing that it would be better

Nationality Bill and another to give this session's Employ-relatively short Local Goveroment Bill time to work before ment Bill, are likely to be introducing more law into such

Conservation

Other likely legislation in-

cludes a Bill to change the con-

tempt laws, which will probably be introduced in the House of

Lorda; another Companies Bill,

mainly bringing Britain into

line with the rest of the Euro-

pean Community; an Education Bill to belp the bandicapped;

and a Bill changing the treat-

The Department of Environment will have two bills—a Countryside Bill, which will

deal with conservation and be

clauses dropped after the tions.

introduced in the Lords, and together with a measure on another Local Government Bill nuclear installations ratifying

implementing some of the Britain's international obliga-

ment of young offenders.

and credits to Iran. -

Parliament.

manifesto

possible.

sanctions bave been

ing an initiative on the Pales-

in EEC history.

two-day informal meeting of EEC Foreign Ministers which testified to the increasingly condoubts about the package's true severity. EEC trade with Iran has been running at about £500m a month this year, but it is not known what proportion is accounted

German contracts, raises strong

The Foreign Ministers of the Nine were decidedly pessimistic yesterday about the row over Britain's payments to the Community budget. From the British point of view, the only posi-tive gain was a general agreement to consider a three-year accord on curbing Britain's net payments to the EEC.

for by contracts signed before November 4 and therefore free of the embargo. Sig. Emilio Colombo, Italian

Foreign Minister, who played bost to the weekend gathering in an 18th-century Neapolitan villa, said afterwards that be bad told Mr. Edmund Muskie of the sanctions decision, and the Secretary of State gave it "approval and support."

But U.S. officials who were The UK is going slightly accompanying Mr. Muskie in hismeetings in Brussels and Vienna last week were privately ners in embargoing new loans

Fewer contentious laws

planned for next session

How large a trade sacrifice scathing the package wil entail for the appareot backsliding from a Nine is unknown. decision first taken by the ine is unknown.

decision first taken by the Senior British sources were Foreign Ministers on April 22. This held out the probability of action in line with the UN

January 10 which, if pass would have meant bans on existing contracts and transport links with Iran as well aa on future service contracts.

The Nine hope that new developments in Iran, either through a decision of the newlyelected Parliament, the Majlis, or through another UN initiative, will quickly remove the need for the aanctions.

Mr. Ajib Daondy, a Syrian
member of the UN mission set

up early in the year to inquire into the acts of the Shah's regime, is to reopen contacts with the Iranian Government. Yesterday's communique from the Foreign Ministers wished bim well and in a vaguely-worded conclusion boped that the UN mission would make possible a first of the control o

would make possible a "rapid suspension" of the measures. The Ministers' talks on the Middle East were prompted by the instruction they have been given to provide a report for the EEC Heads of Government summit in Venice next month. aod by the serious impasse in

the Camp David negotiations. The final form of the EEC Initiative will probably be decided in Venice. But speculation is focussing on a possible amendment to Security Council Resolution 242. The amendment would add to resolution 242 a recognition of the Palestinians' rights to participate in a nego-

Continued on Back Page

ment Bill from the Lords this

Plans by Mr. Michael Hesel-

tine, the Environment Secre-tary, for a more ambitious

session bave apparently been dropped after pressure from

Mr. Norman St. John Stevas,

thet Leader of the House, who argued that Mr. Heseltine's

legislation had caused enough

problems this session and pointed to the Government's

election promise to legislate

less than the last Government.

have a number of minor Bills they are boping to introduce.

example, has an energy labelling Bill on tha stocks

together with a measure on

Virtually all the Departments

100

GEC rejects Inmos stake

BY, GUY DE JONQUIERES

GENERAL ELECTRIC Company has made clear to the National Enterprise Board that it does not wish to pursue discussions which it opened several weeks ago on the possibility of taking a stake in Inmoa, the NEB subsidiary aet up to make microchips.

Thus the thorny problem of the future of Inmos has been thrust squarely back into the lap of Sir Keith Joseph, the Industry Minister. With no other private-sector

company apparently ready to be involved, the Government may soon face an uncomfortable choice between scrapping the project, which would involve writing off a substantlal investment of public funds, or making what amounts to an open-ended commitment to its future. Inmos has received £25m in

public funds. An NEB-backed request for a second £25m has awaited Government approval for almost six months. Officials in Whitehall and many electronics industry experts believe that still more money may be needed if the project is to The granting of the second

tranche was narrowly approved in principle by a Cabinet com-mittee just before GEC expressed an interest in Inmos. The Government has delayed further action since then, waiting for GE Cto make its Intentions clear. Discussions about the pro-

posed second tranche have been clouded by cootroversy on where to put Inmos's proposed UK factory, which the money would be used to finance. The founders of Inmos have

insisted that the plant be built in or near Bristol, and there have been veiled hints that they might severe their links with Britain and transfer the whole operation to the U.S. unless they But some MPs from both within their cash ceilings by major parties want the factory raising their prices.

in an economically depressed region, and bave demanded that the Government make this a condition of approving the creases of no more than 14 per The Government would un- important groups of public

sector. This would be consistent with alised industries. its policy of reducing State Government was forced to withdraw its first Local Govern-

MINISTERS THIS week begin centage pay increases have had trying to hammer out a clearer a damaging psychological effect strategy for public-sector pay in the hope of reducing the average rate of settlement in the next resist similar pay demands. The Government's main effort pay round to well below the

Cabinet begins

public-sector

pay discussion

increase in prices. One possible objective mooted by Ministers is that the average rate of increase in public-sector wages should be kept at least three or four percentage points below the rise in the Retail Prices Index.

Discussions begin at a meet-ing of the Cabinet's economic mendation to the full Cabinet bafore summer recess. The talks wil take place against a background of increasing concern among Ministers over the whole question of publicsector pay.

only way to stem public-sector pay demands this autumn-and break all the old assumptions about "entitlement"—will be for several major nationalised industries to face it out with their uniona through a prolonged strike. They feel the Government should use its relative popularity now to pre-pare public opinion for what may be a difficult autumn,

The intention still seems to be to rely largely on cash limits on central Government pay, to-gether with a strict Rate Support Grant settlement for local Ministers are very sensitive to tbe political implications of being seen ot do a U-turn, But some Ministers are querying whether pressure can-

not be brought to bear on the management of some nationalised trading companies to witbstand demands for inflationary wage settlements through their Others argue that this

limits for most parts of the public sector allowed for pay incent. But this did not prevent doubtedly still like to see all or servants winning 25 per cent part of the NEB interest in pay increases, and a "noting" Inmos hived off to the private of about 20 per cent being established in most of the nation-

Even when cash limits have involvement in industry, and forced unions to "pay for" ex-would lessen its potential cessive increases with cuts in

on private employers' efforts to

looks like being directed at try-ing to break the expectation in the public sector that pay will automatically keep up with prices and with the pay of other

This attitude almost certainly implies an end to the Clegg Commission on Pay Comparahikty in its present form. Clegg's popularity with Ministers is at an all-time low because of the mistake on teachers' pay. The role of the Top Salaries Review Board may also be reviewed in the same light. Ways may also be considered to try to force public-sector employers to take tougher stance with the

Civil Service pay is seen as being particularly important and Lord Soames, Lord Presi-dent of the Council, is likely to play a key role in future negotiations.

Diacussions about public-sector pay usually take place among Ministers during the spring and summer. The talks this year have taken on greater significance because of concern about the recent earnings figures, which showed a 20.1 per cent increase in the year to March, and about last week's retail price statistics, which showed inflation at 21.8 per cent, still rising.

growing among ecocomists that loflation will still be well above the Treasury's forecast of 16.5 per cent by the end of this year has led to fears that, even though inflation figures will would just lead to problems in improve in July, when last nationalised industry financing. last year's Budget measures But there is a general con-drop out of the 12-month com-reru, apparently shared by the parison, they could start creep-Prime Minister, that some ing up again in the autumn, nationalised concerns can accept just when the new pay round is

The next pay round will be aising their prices.

of immense political importin the last financial year, cash ance to the Government as it will be the first one not to be affected by pay commitments Administration.

Lombard, Page 12

£ in New York

Previous

\$2.2850-2860 \$8,2870-2900 h...1,24-1,12 dis 1,45-1,35 dis hs:5.40-3,38 dis 5,50-3,50 dis hs:7,25-7,05 dis 7,40-7,20 dis financial exposure. manning, resulting bigh per-

Afghan invasion tops agenda for Brezhnev-Giscard talks

BY OUR FOREIGN STAFF

between Moacow and the West funeral of President Tito. since the Soviet Union's troops Afghanistan

President Giscard's trip surprised his counterparts at the meeting of European Economic Community Foreign Ministers' some delegations said it seemed an ill timed assertion of dent Charles de Gaulle, had r France'a prized independent part in the alliance's decision. foreign policy.

The presence of Soviet troops in Afghanistan and ways to repair the damage that the Intervention has done to East-West relations will dominate the meeting between the two

leaders, M. President Valery abroad in 10 days for the ailing Giscard d'Estaing and President Mr. Brezhnev, who was in Leonid Brezhnev, arrived in Warsaw last wee kfor the War- to be bridged between Moscow's Warsaw yesterday for talks- saw Pact summit meeting and the first top-level contacts in Belgrade before that for the

NATO's decision to site new medium-range missiles, which are capable of reaching the Soviet Union, in Europe. France, which withdrew from meeting in Naples. Privately NATO's integrated command structure under the late President Charles de Gaulle, had no

Neutrality

The two leaders will probably also talk about the boycott by some Western countries of Moscow Olympic Games. It is thought by some Western Presidents.

Mr. Andrei Gromyko, the be attracted by a possible for Soviet Foreign Minister, is mula for Afghan neutrality hardened its criticism of the accompanying Mr. Brezhnev and which would both extricate Soviet intervention but has insisted on keeping open the and end the hostile inter-

THE FRENCH and Soviet M. Giscard It is the third trip national reaction to the in

However, there is a wide gulf apparent desire to leave the Babrak Kamal regime installed in Kabul as a prelude to estab-The Russians are expected to lishing Afghanistan's neutrality stress their opposition to and the West's insistence that there ahould be a government in Afgbanistan which clearly has the backing and is the choice of its people.

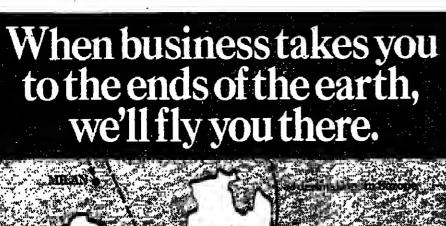
The meting in Warsaw Is formally at the invitation of Mr. Edward Glerek, the Polish leader.

It clearly demonstrates the role which Warsaw has ben given within the Warsaw pact as a channel of communication with the West. Afghanistan was at the centre

lines of communication.

of talks between French leaders and Mr. Gromyko late last month when the Soviet Minister

Who is lift trucks...



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PRESIDENT Anwar Sadat is of not going to give up his treaty with Israel and his Middle East peace efforts, but his frustration, hitterness and lack of policy options are contributing to a more dangerous mood in

BY ROGER MATTHEWS IN CAIRO

For the past two and a half years, the President and, to a lesser extent, Egyptian public opinion, have been carried forward on a wave of Western political applause and over \$2bn a year in aid and soft loans. The aid is still flowing.
but the political support is
beginning to look increasingly
impotent as it runs into the seemingly immovable wall of Israeli intentions towards the occupied West Bank, Jerusalem,

and the Gaza Strip.

Mr. Sadat's confidence and optimism are being severely tested, and the indications of the past 10 days are that bis previously sure political touch may be becoming a little

ragged.
During that brief period. Mr.
Sadat suspended Palestinian autonomy negotiations with Israel, agreed to resume them, suspended them again, got rid of his Prime Minister and nearly half the Cahinet, changed virtually the entire economic team, announced he was going to cut prices, set the scene for two important constitutional changes, including one which would allow him to remain President indefinitely. called a referendum for next Thursday and, in the course of an extraordinary four-hour speech, accused some of Egypt's

rainst him. At least some of these actions ing a long conversation with reflect Mr. Sadat's sense of isolation and vulnerability criticism. He is boycotted all but two members of the 21strong Arab League, scarcely and agreed to resume the Paleson speaking terms with the Soviet Union and the Eastern bloc, privately suspicious of the so-called "European initiative,"

and particularly of the French and their wooing of the Arab oil-producing states, and reduced to a very minor role in Africa and the non-aligned movement. This leaves Mr. Sadat with the United States. Mr. Sadat and his aides try

hard, but sometimes cannot entirely hide their despair at American vacilitation and apparent areakness. Egyptian despair its enhanced by the knowledge that, by themselves, they are virtually powerless to influence terral or to stem the influence Israel or to stem the greater threat to the Middle East which they believe has been posed by the Soviet Union's invasion of Afghanistan and its activities in the

President Sadat appears to believe he has done everything possible to give the U.S. a lead. He made peace with Israel, presented himself as a reasonable and conciliatory Arab leader, gave the U.S. military facilities for its calamitous attempt to rescut the hostages in Iran, took in the deposed Shah when the ericans had washed their hands of him and, whatever the mess President Jimmy Carter was in on foreign policy, always found a positive aspect

mounting a conspiracy to praise. Then came last Tuesday. Dur-President Carter, which Sadat described as more like

negotiations, the Egy leader bowed to U.S. pre-



It would be remarkable if simple country boy, as Mr. Sadat likes to present himself, could remain unaffected by the lionisation he has enjoyed

tinian autonomy negotiations which he had suspended the previous Friday because of Israel's refusal to budge on key But, even as Mr. Sadat was

naking known his decision dur-

Wednesday's marathon speech, the Israelis were push-ing through their Parliament a draft law which emphasised their determination to bold on to Arah East Jerusalem, annexed after the 1967 war. Mr. Sadat was incensed at the timing of this latest Is aeli attempt to create "new facts," more obliquely by Mr. Carter's failure to warn him that it was about to happen. So the talks were off again, and the May 26 target date for reaching agreement on Palestinian autonomy was a dead duck. The Areb countries which do with the Sadat peace process, and forecast that he would eventually be left with a separate peace with Israel and nothing else, have been proved right, at least for the time

Perhaps mindful of the Impending failure on May 26 and Israel's refusal to provide even a fig leaf to justify Egypt's theoretical willingness to con-

tinue the talks after that date, Mr. Sadat has been diverting domestic attention to other

There is only one topic which really concerns the mass of Egypt's impoverished 41m people—improced standards of living. So Mr. Sadat again promised them prosperity and to give the pledge greater apparent credibility, took over the role of Prime Minister and created six new Deputy Premiers He also announced price cuts-which so far do not amount to much—increased the minimum wage by 25 per cent, handed out 10 per cent honuses to the private sector (somewhat to the chagrin of company executives who, of course, had not been consulted beforehand.

and promised more would be

arriving with a new hudget scheduled for next month. Whether this signifies that Mr. Sadat is about to buy domestic political calm at the expense of the slow and painful efforts to move the economy on to a more rational fiscal basis, is too early to tell. If Mr. Sadat's thinking is hased on the hope that Mr. Menahem Begin's government in Israel will fall apart by the end of the year, and that a re-elected Mr. Carter will feel free of the current constraints imposed by the U.S. Jewish vote, then perhaps he believes six months of letting the domestic economy rip is worth the risk. The Egyptian halance of payments has improved so much over the past two years that this could be allowed to happen without happen with happen without happen with happen without happen with happen with happen with happen with happen with happen w Immediately running into the hard-currency crisis which hit the country in 1976 and 1977.

but at the cost of building up potentially explosive inflation-ary tensions for the future. Mr. Sadat, on his own odmission, is not economics, and pre-fers to set the broad lines of policy which are necessarily closely related to his primary pre-occupation—foreign affairs. For the first time since he became President in 1970, Mr. Sadat also appears to have played relatively little part in the selection of last week's new Cabinet, being content to leave most of the work to Mr. Hosni Mubarak, the Vice-President, who will, in effect, be Prime Minister.

One of the most interesting political trends of the past 18 months has been the increasing induced of Mr. Mnbarak, a former: Air Force commander who has quietly been amassing power, not least through being in charge of the re-equipping of contros.



the armed forces, likely to cost the U.S. about \$5bn by the end of the decade. At the same time, President Sadat's mer circle of friends and advisers seems to

have been narrowing.

Mr. Sadat's domestic critics are also becoming slightly bolder, although still very rebolder, although still vety re-strained. Inflation, listance fundamentatism, the growing gap between rich and poor, Israeli intransigence, the Arab boycott, the despendence on the U.S., the lack of parliamentary consultantion, and the alleged unconstitutional acts of the presidency are all sensitive area. Although Mr. Sadat has been

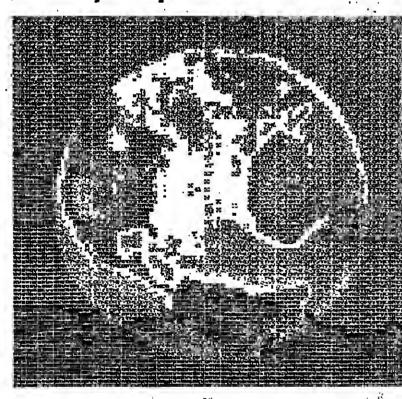
mocked often enough in the past, this has not diminished its sensitivity. On the contrary, it would be remarkable if a simple country boy, as Mr. Sadat likes to present himself, could remain unaffected by the lionisation he has enjoyed from the West during the past couple of

It is difficult to see how Mr. Sadat's frustrations can be relieved. He argently wants to play a key unifying and leader-ship role in the Arab world to face the Soviet threat, but cannot because of his peace treaty and failure to deliver anything on Palestinian auto-nomy. He believes he broke the deadlock on Middle East peace and instead finds growing radicalisation throughout the Arab world. He believes he wor over much of American public opinion, yet finds that Israel continues to act in complete disregard of

In the past, Mr. Sadat has had great success in pulling rabbits out of hats, and it is cannot do so again. But he needs help. For the Western nations that means, however unpalatable it may seem to some of them doing something for the Pales

IHEORY.

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didn't see the point in consulting a merchant ba

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Gloom over UK payments issue at Naples talks

European Community emerged from two days of informal talks in Naples yesterday in pessimember state's payments to, mistic mood about prospects for and receipts from; the budget resolving the row over Britain's for 1980 and 1981 and a state-EEC budget contribution by the end of this month.

Sig. Emilio Colombo, Italy's of Foreign Minister, who was bost at the meeting, said afterwards that be was not optimistic and hi view appears to bave been shared by all the other Minis-

From Britain's point of view the only positive gain was a general agreement to consider a three-year arrangement for curbing Britain's net payments to Brussels. But the other seven Foreign Ministers—Belgium was not represented because it was in the throes of forming a any acceptable cash offers for Lord Carrington to take home. new Government—did not table

Instead, France and West Germany won agreement to bring Community Economics and Finance Ministers into the

Lisbon and

U.S. discuss

carrier port

talks the two Governments dif-

fered over the most suitable

clear that it wants substantial

recompense, mainly in the form

of new equipment for its armed

The U.S. sees Lisbon as the

most suitable port for the car-riers. The deep water Tagus estuary has been used f re-quently by fleets of the North

Atlantic Treaty Organisation. The U.S. believes that carriers based there would provide a

logical back-up for its existing

alrbase and anti-submarine listening post in the Azores.

Portugal has also made

By Jimmy Burns in Lisbon

to produce estimates of each member state's payments to, ment of trends for 1982.

If Sig Colombo, as president f the Conocil of Ministers judges the moment favourable he will call the Foreign Ministers into session at the Ministers into session at the end of the oronth to make another attempt to settle the issue. At the same time, EEC Farm Ministers will meet and wait for Britain to accept a 5 per cent increase in farm prices in return for a budget deal.

The estimates to be produced by the Finance Ministers will cover the years during which any agreed apecial budget arrangements for Britain would last. The figures are expected to show that, on present trends, payments to the budget by London will increase from the current estimate: of at least £1.1bn this year to more than £1.3bn by 1981-82.

FOREIGN Ministers of the act At a meeting in about a munity Finance Ministers will European Community emerged week's time they will be asked bring into the negotiations bring into the negotiations
Herr Hans Matthoefer West
Germany's Finance Minister.
This could be important because Herr Matthoefer was greatly disturbed by the two-year offer made by bis Chancellor. Herr Helmut Schmidt, at the EEC's Luxembourg summit last month. This would have Britain's EEC budget payments and around 45 per cent of the

> Herr Schmidt has since withdrawn the offer, partly because of pressure from Herr Matthoefer who is opposed to allowing Britain to claw it back on the ground that the extra cost to West Germany would undermine Bonn's budgetary

cost would have been carried

by West Germany.

British officials have not given up bope that West Ger-many and France can be persuaded to repeat their Luxeinbourg concessions to avoid a The involvement of Com- deeper crisis in the Community.

CDU still backs Strauss despite poll setbacks

BY ROGER BOYE IN BERUN

SENIOR MEMBERS of West Germany's Opposition Christian Democrat Party have ilressed that Herr Fran-Josep Strauss PORTUGAL AND be U.S. are ia not about to be ousted as the main challenger to Chancellor Helmut Schmidt despite recent to start negotiations soon on the possible stationing of airelection setback. Confirming this, officials in Liston say that in preliminary

These assuraces came on the eve of the Curistian Demolast before the erman general elections on Owber 5. The Christian Demorats suffered sharp losses las week in the North Rhine Wapbalia state election, partly ecause of a vigorous "Stop trauss' cam-paign by the uling Social Democrats. This inforced the feelings of the Christian Democrats who relieved the party should chare its official

But Herr HelneGeissler, the party's general cretary and effective campal manager, emphasised at the eekend that it would be folly"to change horses in midstren.

voiced yesterday, albeit with-out enthusiasm, by Herr Ernst Albrecht, Premier of Lower Saxony and an influential voice in the party. Significantly,

Significantly, no Christian Democrat politician bas com-mitted himself to Herr Strauss for the period after the October elections. The assump-tion is that, if the party loses the election, Her rStrauss will be dropped.

The conference, which opens today, will set out election strategy. It will try to shift the focus away from personalities to the party programme. A more aggressive style of campalgning is to be launched to mobilise uncertain voters.

The party is also planning to set np a team of advisers-a sort of "shadow Cabinet"which should allow the party to address specific issues in detail. West Berlin police said yesterday that they were expecting a big anti-Strauss demonstra-tion during the CDU party con-

fund boost worries bankers

FEARS that the continued growth of money market mutual funds in the U.S. has the potential for creating serious financial problems for smaller banks and heing expressed by hankers and bank regulators.

In the week ending last Wednesday. assets of money market mutual funds, only \$10bn at the beginning of 1979, rose to \$65bn, following the second biggest weekly increase

In the wake of this report. Mr. John Heimaon. Comptroller of the Currency, expressed his concern about the outflow of deposits from smaller savings and ssinneffnavoisands ET SH CM loan associations and commercial banks and into money market mutual funds.

The sharp fall in U.S. interest rates in the past few weeks has begun to ease the severe finan-cial pressures which were huilding up in sectors of the financial system, particularly in the thrift iodustry which finances the bulk of home loans.

It is burdened with fixed interest assets earning under 10 per cent, but for a while was financing some of these home loans with money costing over 15 per cent. The fall in rates has brought lenders' costs more into line with the rate they are earning on loans.

But while money market and Treasury Bill rates have fallen to under 10 per cent, money market mutual funds are still offering investors returns substantially bigber than this.

The problem for the financial sector is that smaller financial institutions do not have direct access to the New York money markets, as do the large money centre baoks and therefore find it difficult to replace deposits which are withdrawn and put into money market mutual funds.

In March, when the Federal Reserve imposed its tougher credit control policy, specific action was taken by the centray bank to try to curb the growth of money market mutual funds. by imposing a 15 per cent noninterest-bearing reserve on them. This move, however, only seems to bave slowed the fund's growth temporarily.

A new committee of Federal what was described as its first Bank regulators is reported to be examining new tackle the problem

U.S. mutual Uganda's rulers take wide powers

mission yesterday accorded itself sweeping powers under a 14-point proclamation, and appointed a new Cabinet in which half the posts are now held by associates of a former President, Dr. Milton Obote.

Observers noted that the proclamation, entitled Legal Notice Number One makes no eference to elections. President Julius Nyerere of Tanzania is reported to have advised the new rulers to hold a pull under international supervision within three months when he met them during weekend talks in the northern Tanzanian lown of Arusha.

Little is known about the in-lended policies of the new regime which nverthrew President Godfrey Binaisa 10 days ago. Aside from broad promises

Cabinet has encouraged specu-lation that the way is being prepared for Dr. Obote's return from exile in Tanzania in the post of Prime Minisler.
The notice, signed by Mr. Paul
Mwanga, chairman of the six-

member Commission and the country's effective bead, was first read over Uganda Radio at midday and repeated throughout the rest of the day. Although sporadic firing has been heard in Kampala for the past three nights, the city appears calm, with little military activity. The opening item of the pro-

clamation pledged the appoint-ment of a three-member Presi-Commission which would "exercise executive powers of the Government" through a Cabinet of Ministers.

But subsequent provisions to end corruption and mis-management, the Military Com-lies with the Military Commis-mission has spent its time sion, four of whose members ennsolidating its position. But are seoior army officers, includ-

of staff, Brig. Oyite Ojok.

headed by Mr. Mwanga. The proclomation specifically states that the Military Commission "shal direct the Cabinet... on all matters of policy."
The 140-member National
Consultative Council which bas been serving as the country's

.pending

Interim Parliament

the powers to make laws." But these will require the assent of the Military Commission. Mr. Edward Rugamayo, the council's chairman who opposed the coup, is expected to lose his post because of a clause in yesterday's proclamation which hars former members of Idi

Binaisa for December will have

UGANDA'S ruling Military Com- the composition of the new ing the army commander, Maj. ing office. Mr. Rugamayo was Gen. Tito Okello, and the chief Education Minister in the early part of Amin's rule.

The 30-strong Cabinet announced earlier yesterday, which includes the Military indemnify Tanzanian and Commissioners as Ministers without Portfolio, will be the aded by Mr. Mwanga The Cartied out as part of their carried out as part of their duties.

Ugandans have yet to be told of the Arusha talks, which were seen by most observers as de facto recognition by President Nyerere of the new regime. Over 11,000 Tanzanian soldiers and policement are still in Uganda. Neither local newspapers nor radio nor television referred to the meeting, attended by Mr. Mwanaga and three other members.

Of the 30 members of the Cabinet, half have ties with Dr. Obote's Uganda Peoples Congress, the country's ruling party until he was deposed by Idi

Martial law imposed in S. Korea

EY RON RICHARDSON IN SECUL

trol of South Korea yesterday, with the imposition of countryviolent student demonstartions last week.

All political activities have

heen outlawed and two of the main contenders in presidential elections due next year, and more than 10 other politicians, have been arrested. The army is to investigate allegations against them either of corrup-tion or inciting student unrest. About 100 student leaders who helped organise a demonstration by 50,000 students in the capital last Thursday are also in detention, along with

journalists and civil rights acti-

BY TONY WALKER IN PEKING

CHINA yesterday successfully

launched a long-range missile

into the Pacific, 6,00 miles from

The official news ageocy said

China achieved "complete suc-

cess" with the launching of

the mainland.

THE ARMY took effective con- promised last night that the to be angry over what it sees as nnt affect the promised writing of a new democratic constitution and the holding of elections. He made no mention of advancing the timetable for reforms which was one of the Amnng those arrested are

According to reports from the be launched into an area

Tuvalu.

main demands of the students. The martial law decision extended a decree imposed immediately after the assassination of President Park Chung Hee last year.

remained in office, but the effect of hte martial law extension is to short-circuit its authority. Gen. Lee Hui-Sung, the martial law commander, is no responsible only to the President

China fires long-range missile

Impact area, a large fleet of Chinese ships monitored the

missile test. Only one firing was mentioned in the brief

China anounced last week

an unnecessary asumption of power by the military and a setback to attempts to elect a broad-based Gnvernment to replace the régime of President

Kim Dae Jung, a fnrmer rival contender for next year's Presi-dential election. The dissident leader was only released from fee last year.

four years' jail or detention
The civilian Cabinet has after Park's assassination. Violence was reported from

Kim's bome town of Kwangju in the South-west yesterday as police clashed with youths protesting against the new regulations. Dozens of people lsts. Washington, which maintains were reported to have been President Choi Kyu Hah 30,000 men in Korea, is believed injured.

bounded by the Solomon Islands, New Hebrides, Fiji and

Several countries, including Japan, have criticised the test,

China has released no details

Afghans in conference surprise

THERE WAS a stir on the first ful working day of the Islamic Foreign Ministers' conference in Islamabad yesterday when leaders of the Afghan insurgent movement appeared at the plenary session as members of lhe official Iranian delegation.

Mr. Sadeq Qotbzadeh, Iran's Foreign Miniser, said Iran had sought permission from Paki-stan for the eight Afghans-mostly drawn from the National Alliance for the Liberation of Afghanistan which links the main insurgent groups-to be included on the Iranian list

Mr. Qotbzadeh was clearly engendered by getting the eight turbanned figures into the con-ference ball. There had been some debate as to whether they would be invited in the plenary sessions and in what capacity. Pakistani officials pointed out that they had no right to challenge the Iranian delega-tion's credentials and were ciate themselves from the vigorous backing for the insurgents from Iran.

No protests were made by the

China anounced last week of the carrier rocket used, but that it would carry out missile it is thought to be the CSSX-4 Protugese officials would prefe e nse of the port of Sines, 10 miles south of Lisbon. which the Chinese have been ways to MOST OF AN EXECUT TIME IS SPENT LISTENING. YET ITS THE THING HE'S LEAST QUALIFIED TO DO.

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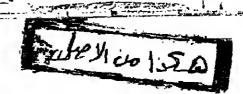
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We understand how important it is to listen. Sperry is Sperry Univer computers, Sperry New Holland farm equipment, Sperry Vickers fluid power systems, and guidance and control equipment from Sperry division and Sperry Flight Systems.



BY BRIJ KHINDARIA IN GENEVA

clusions of a report prepared by Britain's Overseas Development Institute (ODI) for the International Labour Organisa-tion (ILO) to be discussed at a four-day symposium bere start-

ing today.

The 82-page report points out that job losses due to cheaper imports from NICs were far fewer than those caused by domestic productivity increases or hy imports from other industrialised countries in sectors. such as textiles, leather goods, The real problem is not that

unemployment Britain, but that other indus-tries are not growing quickly located in poorer regions and chronic invalid like tha leating the content of th

ATLING British industries are enough to absorb the newly using the Third World's Newly unemployed. This sluggish Industrialised Countries (NICs) response to economic change as "a ready scapegoat" to obliate fuelled political resistance tain protectionist foreign trade to additional unemployment and policies, although such nations prompted trade unions to oppose are only an "insignificant freer international trade.

Source of structural problems in Britain."

This is one of the main con-

1975 because of imports from NIC compared with about 120,000 jobs lost due to productivity increases. Yet, both employara and

international trade in textiles While general employment levels are not affected significantly by imports from NICs, particular subsectors have been severely hurt such as the textile industry's men's shirts and bosiery sections. The political impact is considerable because disrupted subsectors are usually

workers including many women Among factors adding to the vulnerability of Britain's manufacturing industries are the use of out-dated machinery and work methods, inflexible labour ness of managers in organising and monitoring the use of resources to encourage innova-tion, the report says. Pressure form chesper im

ports will continue to grow, and domestic textile interests are likely to press for a stiffen-ing of the MFA when it is rerat, both employara and are likely to press for a stiffen-trade unions put sharp pressure on government to get a protec-tionist Multifibres Agreement (MFA,) which currently rules ball out BL is a gamble because it may turn out to be littla more than a postponement of the final demise of British Leyland,

> component industry." The greatest danger seems to he that existing protection against imports from Japan might then be extended, and the car industry might become a chronic invalid like tha leather

together with most of Britain's

Yet another plan is for a "stretched" A-300, that would seaf up to 350 passengers, for TA-9. This would be a twin-

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HALIFAX The world's biggest building society.

says export credit rates

By Charles Batchelor in Amsterdam

too low

THE MINIMUM rates of interest for export eredlis agreed by the Organisation for Economic Co-operation and Development (OECD) have become unrealistic in the light of bigh world rates of interest, said the Dutch Export Credit Bank. Yet despite the growing gap between the OECD and real rates of interest, the bank added, more and more countries are demanding their imports be financed at

The OECD-agreed rates were meant to prevent exporting countries undercuiting each other in offering favourable export credits. The rates are 7.25-7.75 per cent for two-to five-year credits and 7.5 to 8 per cent for longer periods. The rate is adjustable within these margins depending on the degree of cconomic development in the recipient

stimulate their exports are

also beginning to treat the

Governments

minimum levels as an anto-matic basis for agreement, said Dr. W. J. Ford, manager of Export-Financiering-Mij (EFM). Malaysia, Algeria, Thailand and the Eastern European countries in particular press for the minimum rate while the UK, Belginm and West Germany are under the most pressure to accept it. This has meant that the matching fund set up by the Dutch Government to help

exporters meet unfair competition from abroad seems set to become a permanent feature. The fund provided a record amount of aid last year, paying ont Fl 41m (£9.6m) to assist 29 orders worth a total of Fl 1.3bn

Dutch bank Nomura Report for Japan

Industrial restructuring needed

BY CHARLES SMITH, FAR EAST EDITOR, IN TOKYO

authors often seem to have an in the second. into two peat piles those works which seem determined to prove that the Japanese are supermen who can show us bow to run our economies if only we will listen, and those which explain wby Japan's achievements are overrated or due to unfair advantæges.

Books on Japan by Japanese authors are less liable to grind axes, but are also less likely to be available in English. That is why the Nomura Research Instiwny the Nomura Research Insti-tupte's (NRT) Prospects for Japanese Industry to 1985* fills such an important gen sucb an important gap.

The Nomura book, like many of the best products of Japanese industry, is the result of collective effort. About 20 NRI experts bave got together to survey the prospects, over the next five years, for 15 major lapanese industries, divided roughly half-and-half between and "new." Old industries, as the book shows, can be further broken down into those with and without a future. Shipbuilding and petro-chemicals fall into the first electronics,

BOOKS about Japan by foreign watches and motors cars belong ties of life than Japan's earleir record looks good. The Ministry mainstream industries.

New industries, by definition, are those which Nomura does believe to have a future, but they represent a diverse and in some ways rather disturbingly insubstantial bunch.

Prominent in the list are pharmaceuticals, where Japan is still working bard to close the gap with Western Europe and the U.S., food, leisure and retailing where Japan is still in many ways far behind the West, and computers where a battle royal

The framework within which Nomura analyses its selected industries is that of industrial restructuring—in other words the notion that Japanese industry must change the directions. tion of its development if the nation is to survive and remain prosperous in the 1980s. The broad directions of change are towards industries which consume less energy and raw materials, take up less space in overcrowded islands and, incidentally, pro-duce more of the optional extras and fewer of the basic necessi-

What is not implied by the Nomura analysis is that Japan is going to be either more or less of a 'meance' to Western industrial economies after restructuring its industries than it is today. In some areas, such as computers, industrial plant and pharmaceutical, NRI sees the Japanese coming up fast while in others (cars and cameras) it should not simply remain as maturely overemphasing mass much nn top as it is today. In a production. Nor does it mean third category of industries, however—food, fashion, retail—the picture drawn by NRI phases of the process. is of important internal changes which will make Japan more like the West without necessarily releasing a flood of new exports onto Western markets.

NRI does not simply tell us which Japanese industries are going where over the next half bow the restructuring of Japanese industry is carried or problems.

of International Industry's selection of key industries in the 1950s and 1960s was a remarkably bappy one and the institutional mechanisms which helped its selections to become realities

smoothness. This doas not alter the fact that some industries mare mlstakes: for example the Japanese machine tool industry got itself can see little reason why Japan into serions difficulties by pre-

> phases of the process. The reader may be bewildered by the wealth of detail but he cannot fail to grasp one point— Japan is the second largest market in the world for almost every major product of modern pianos and from aspirins to colour TV sets. That, more than anything else, may explain why Japanese industry matters.

likely to be carried out and nn how good the Japanese are at tackling industrial structure Research Institute. Two Research Research Institute, Two volumes, Published by Finan-Times

So far as the past is concerned cial Nomura obviously feels that the Reports.

Airbus studying fleet expansion

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

AIRBUS INDUSTRIE, the lopment, and the 300-seat A-300 Pratt and Whitney JT-10D-226 European aircraft manufacturities, already in service. ing group in which British Aerospace bas a 20 per cent stake, is now studying a wide range of future aircraft pro-grammes, on which decisions are likely to be taken by the end of this year. version, the These include a new 260- passengers.

seater version of the A-300 short-to-medium range twin- these, twin-engined aircraft engined Airbus, called the include the Rolls-Royce/Japa-Series 600, for delivery in 1983- nese RJ-500 and the Franco-U.S. 1984. This will be mid-way in CFM-56 Dash 3 in the SA-1, passenger capacity between the while the SA-2 will use aither 200-seat A-310, now nnder deve-the CFM-56 Dash 4 or the U.S.

Beyond this, Airbus Industrie

is studying a smaller, single-aisle short-range airliner, called the SA-1 (for single-aisle) which will be basically a 132-seat airliner, with a stretched version, the SA-2, seating 162

Engines being studied for

Other new Airbus studies for future aircraft include a very long-range derivative of the A-300, called the TA-11, scating between 210 and 220 passengers. and capable of flying between 5,400 and 6,000 nantical miles. This would bave four engines.

Venezuela oil for Tokyo

TOKYO-Idemitsu Kosan, a leading Japanese oil distributor. and Mitsubisbi, the trading company, bave signed contracts directly with Venezuela's Government-run Petroleos de Venezuela to import beavy crude oil, AP-DJ reports.

Idemitsu Kosan will import 12,000 b/d between April and December at \$25.93 a barrel, while Mitsubishi is going to purchase 20,000 b/d in the same nine-month period at the same

France to boost exports to U.S.

INDICATIONS that the French the French investment effort in put a damper on French trade deficit with the U.S. the U.S., some analysts in could rise this year by between France criticise exporters for 79 and 80 per cent to FFr 25bn a lack of (etermination in (22.6bn) have prompted M. tackling the market Exporters Jean-François Deniau, French are not flexible enough and fail Trade Minister, to launch a big to provide the proper back-up

M. Deciau bas met both French and American businessmen, along with U.S. Government officials, during a visit aimed at trying to stop the deterioration in the French

This downturn set seriously in 1979, when the deficit more than doubled to FFr 14bn and has grown by another FFr 6.3bn in the first

export effort in the U.S. market. services, they say.

M. Denieu has met both Among Vestern nations,

France bas icen one of the less successfu exporters to the U.S. for man years, supplying only 2.4 per ent of America's imports in 169, against 12 per cent from th UK.

exports to France is concentrated on industrial machinery (particularly important at the

moment because of the investment surge going on in French industry), electronic goods and aerospace products. But the U.S. is also a big exporter of some food products, coal, chemicals, fertilisers and paper.

cent from Jpan and 3.9 per in some of its traditionally strong export sectors in the This year, this unfavourable last few months. These proposition is seing accentuated by the unexected strength of the French conomy, which is portant. wine, for which encouraging imports of U.S. France's positive balance went pree months of this year. goods. Congrely, the slow-down from FFr 727m in 1978. Despite the recent surge in down in th.U.S. economy has to FFr 685m last year.

UK to develop Bahrain airport

BRITISH AIRPORTS International, the airport develop-ment group formed jointly by the British Airports Authority and International Aeradio, has won a major contract for the preparation of s master plan for the development of Bahrain International Airport.

The completed study will Caribbe result in a major plan for the Africa. development of the airport over

the next 15 years.

SHIPPING REPORT

Tramp ship rates move to new peak

By William Hall, Shipping Correspondent

TRAMP SHIPPING freight rates have moved into new high ground. The General Council of British Shipping's tramp trip charter index (1976=100) rose by 11 per cent in April to a new peak of 275.

A year ago, the index was standing at 149, and in the depths of the shipping slum. in the summer of 1977, the index had dropped to 77.

The U.S. embargo on Soviet grain shipments caused a temhe year, but this was soon left behind and for most of 1980.

iramp shipping rates have been firming. However, there are grounds for believing that dray

In the first four months 1980, the position has chang dramatically. Rates for lar bulk carriars of over 85,000 c bave shot up by over 50 cent while rates for ships between 50,000 and 85,000 bave risen by 3 per cent.

Among the smaller sthere are also consider variations. Rates for small carriers of between 12,0001 and 20,000 dwt have risen a mere 4 per cent so far this while rates for slightly liships (20,000 dwt-35,000) have risen by a fifth.

In the world tanker mrs. rates for Very Large le Carriers (VLCCs) remaiepressed and owners are sng to lay up their ships oncein. Shipbrokers E. A. on, report that the going rfor VLCCs Westwards out the Gulf is Worldscale 29 for voyages to the East it is id-scale 34.

junction th Sir. Alexander for controlling air flow in the Gibb and irtners and British Hong Kong mass Transit Rail-Airways Acciated Companies. way. Set uprecently, BAI has already mertaken comparable studies f national airport planning such countries as France, Vit Germany, Switzerland, Brl, Australasia, the Caribbeathe Middle East and

The atract was one of in the last two years.

• Ford of Britain, a £750,000

order to supply the Hong Kong Government with 47 Ford Essex V-6, three-litre engine ambul-ance vehicles. The order brings to 119 the number of similar vehicles bought by Hong Kong

several erseas business deals • Redler Conveyors, a £420,000 recently Among the others supply handling equipment for were:

Supply handling equipment for Thailand's largest riverside Trox others, a £1m contract sile complex being huilt at from tsubishi Electric of Phra Pradaeng. Redler Con-Japan or the supply of veyor is a member of the Brockmotoril, fire-rated dampers house Group.

Norld Economic Indicators WORLD ECONOMIC INDICATORS UNEMPLOYMENT

		Apr. '80	Mar. '80	Feb. '80	Apr. '79
JK .	000s	1,458,1	1,413,9	1,383.1	1,310.9
	%	5.0	5.8	5.7	5.5
Gerry ·	080s	825,400	875,900	992,500	875,500
	%	3.6	3.8	4.3	3.8
J.S	000s	7.265.0	6.400.0	6,300.0	5,9G0.0
	0005	7.0	6.2	6.0	5.8
	,-	Mar. '80	Feb. '80	Jan. '80	Mar. 79
Hod-	000s	210.5	227.2	232.4	209.7
	%	4.9	5.3	5.5	5.0
aç.	000s	1,240.0	1,110.0	1,130.0	1.350.0
-	%	2.2	2.0	2.1	2.1
72	000s	7.415.0	1,390.7	1.377.8	1.341.9
•-	%	6.2	6.7	6.0	5.8
	70	Jan. '80	Dec. 79	Nov. 79	lan. 79
Buttr	000s	361.7	366.8	368.2	344.8
,	%	9.1	9,2	9.2	8.6
	0005	1,681.0	1,662.9	1.623.0	
	* %	7.8	7.7 .	7.5	1,730.6
	70				0,8

LEGAL NOTICES

COMPANIES ACTS 1948 TO 1967

firming. However, there are grounds for helieving that dray cargo freight rates may now have reached a plateau.

The General Council of June 1980, the position in performing indices underline the contained flasses and the paraculars of their ping indices underline the contained flasses and the paraculars of their ping indices underline the contained flasses of thoir Solicitors if any, and the arrival flasses of their solicitors in performance of the various sectors of Bentinck Street London W1A 33A. In the last eight months of the said Company, and it so required by notice in writing 1979, rates for ships of betweetohetors, or personally, to come in 50,000 dwt and 85,000 dwt more of proventhan and place as shall he large bulk carriers of overheared they will be excluded from the \$5,000 dwt rose by just 8 phonetic of any destribution mode before such debts are proved.

In the first four months

1980, the position has chang dramatically. Rates for lar

HOUSE OF LEATHER LUMITED NOTICE IS HEREBY GIVEN pursuent to Section 233 of the Compenias Act, 1948, there is Meeting of the creditors of the above Company will be held at the offices of Leonard Curtis & Co. 374
Bentinck Street, London W1A 32A, on Thursday tha 22nd day of May 1980. The 12 o'clock middly, for the purposas provided for in Sections 294 and 295. Dated the 7th day of May 1980.

A. HICKLING. O'lactor.

M. & C. ROSENBERG LIMITED

M. & C. ROSENBERG LIMITED

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Creators of the aboven-neared Company
of Juno 1990, to sond their names and
addresses end the particulars of their
dobts or claims, and the names on a
didresses of their Solicitors il any,
to Keith Oavid Goodman, FCA, of
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the Liquidator of the self Compony,
and, if an inquired by notice in writing
from the send Liquidator, one by their
Solicitors, or personally, to come in
and prove their said dobts or claims
of self-time and place as shall be
specified in such notice, or in delicit
thereof they will be ascluded from the
booafic of any distribution made below
auch dobts are proved.

Gated this 7th demand Many 1900.

NOTICE IS HEREBY GIVEN oursuint to Section 293 of the Companies Act. 1948, that a Moeting of the creditors of the above named Company will be hotel at the offices of LEONARO CURTIS & CO... Thusted at 3/4 Bornback Street. London V/IA 28A.

on Tuesday the 27th day of May, 1939, at 12 o'clock midday for the purposes provided for in Sections 294 and 225. Oated the 12th day of May 1960.

PETER G. SINGLETON, Onector.

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Last-minute bid to amend Housing Bill

BY ELINOR GOODMAN

suade the Government amend the Housing Bill.

to be taken into account.

At the end of a campaign to change the Bill more radically, the deputation is likely to concentrate today on indicator. the more limited aim of improving control private tenants and leasebolders have over their service charges.

given the strong impression prepared to accept any of its

arose, writes Elinor Goodman.

nationalised industry, including

the Bank of England, Mr. Tony

Benu, MP, said at the weekend. He told the Welsb Lahour

Party's annual conference in

Swansea that hy the time Labour

was returned to poweor, three to four million would be unem-

ployed. The new Administration

would face as hig a challenge of

economic reconstruction as the

1945 Atlee Government.

last-minute bid today to per the Environment again. This tenants or leaseholders in to raised the groop's hopes that mansion-blocks. Because of this the Government at least may the group bas put down its own.

They want the particular be prepared to go on record amendments. It is unlikely They want the particular problems of inner urban areas as acknowledging the particular that any of the amendments to be taken into account. dwellers and more general problems created by the London bousing market. The group feel this would be a useful

The Bill, which reaches its third reading today and tomorrow, provides, among other things, introduction of short-Last week the group, led by bold tenancy agreements. These with major changes proposed Mr. Nicholas Scott, MP for the Government boped will by London Membars. For this Kensington and Chelsea, was increase rented accommodation reason the MPs concentrated

Liberals allow Steel latitude

ing in Worcester also made it behalf that Liberal candidates in tually rejected the parts of the very clear that they would a particular area were to leave motion which would have tied expect to be consulted by Mr. open the centre ground for a Mr. Steel's bands.

into an ogreement with the President of the European Comresolution extolling the radical mission.

Party.

President of the European Comresolution extolling the radical and independent traditions of Such a decision, Mr. Steel the Liberal Party.

Call for state industry Ministers

THE NEXT Labour Government ployed back into factories and corporation. The tasks which should consider appointing a the key will be the public would be required of the public

Nationalised industries would need to be expanded and

modernised. Parts which bad

been sold off would have to be

brought back to the public sector, without paying twice for public assets which the nation

"It will require a massive in effect, killed off the Herbert other Ministers to plan the planning job to get the unem- Morrison concept of a public strategy."

built up, he warned.

LIBERAL ACTIVISTS gave their party leader the freedom motion showed that Liberal he wanted at the weekend to activists are determined the

oegotiate with Labour dissidents Liberal Party should not go into about the possibility of forming the business of throwing out close electoral alliances at the lifelines to MPs disowned by

But the 200 delegates at the was that the party would make Liberal Council's weekend meet-

very clear that they would a particular area were to leave expect to be consulted by Mr. open the centre ground for a David Steel before be entered person like Mr. Roy Jenkins, into an ogreement with the President of the European Com-

-BY-ROBIN- REEVES, WELSH-CORRESPONDENT -

Minister as chalrman of each sector," he said.

next election if the occasion other parties.

FIVE TORY MPs for London But on Friday, Mr. Scott was five argued that the Bill did not constituencies are making a invited to the Department of do enough to help private

The group's main hope of changing the Bill has rested therefore largely on persuading the Government to accept its amendments. Ministers made it clear some weeks ago that they were not prepared to go along with major changes proposed reason the MPs concentrated coming on to the market.

Some London Conservatives lobbyied for such a scheme for to challenge a landlord's assesssoma time, but the group of ment of service charges.

promised, would be entirely one for the local party.

The general feeling among

delegates seemed to be that the talk about the possibility of Mr. Jenkins and others joining forces with the Liberals to form

wrong perspective on the situa-tion. Novertheless, they even-

Instead, they passed a general

sector could not be entrusted to the present unaccountable

Mr. Benn said a Minister in

charge of each nationalised

industry could chair a manage-ment board with a deputy chair-

man and chief executive answer-

able to bim. He ougt also to

The clear warning to Mr. Steel a new centre party had put the

sentence By Raymond Hughes,

AN ATTEMPT to bave tak avoidance expert Mr. Roy Tucker jailed for alleged contempt of court will be made in the Court of Appeal this week,

The application, by the Inland Revenue, stems from its raids on the homes and offices of people connected with the Rossminster Group last July. Large quantities of documents were seized

The Queen's Bench Divisional Court rejected a challenge to the seizure, but in the Court of Appeal, Lord Denning sharply criticised the Revenue's action and ordered the return of all the

At that hearing Mr. Tucker and his associates undertook to hand the returned docu-ments back to the Revenne if the Revenne won an appeal to the House of Lords. They also undertook to keep the documents where the Revenue had found them at the time of the raids.

In December the Law Lords allowed the Revenue's appeal and the Revenue now contends that Mr. Tucker has broken his undertaking to return the documents.

Call for jail | 'Unclear future' for **Stock Exchange**

BY CHRISTINE MOIR

THE FUTURE structure of the Stock Exchange was "very un-clear," Mr. Nicholas Goodison, the chairman, said at the annual the possibility, because of conference of the National Asso-ciation of Pension Funds in atructures and patriotisms. Brighton at the weekend. It was under extreme pressure politically, economically and commercially, he said.

Steam is making a comeback on Britain's canals. Fifty years after the last steam narrowboa

finished trading, the steam-propelled President with its butty, Northwich in tow, set sail from Birmingham yesterday. The President, which used to operate an express canal service (London to Birmingham 54 hours non-stop) has been restored to its original condition, and is heading

for the British Waterways museum at Stoke Bruerne.

A profound change might occur through the EEC Commis-sion, which was considering development of a unified " European securities industry."

Three possible avenues of development were being discussed: The market could become fragmented and "go upstairs," meaning that central market places would decay and business be transacted directly between traders by telephone.

● London, the most highly developed centralised market, could find itself in the lead on the basis of its high-technology dealing skills, and international trust in its members.

· A consolidation of tha various European markets could be created as a "super-market" for Europe.

Though the EEC Commission favoured this last alternative,

Mr. Goodison was sceptical about

the possibility, because of the

obstacles of overcoming national

Changes were inevitable, and the Stock Exchange needed to be on its toes. Internally also it was constantly evolving, and fundamentals

The jobbing system was under considerable strain as a result of "thin if not negative markets in equities." At present it still provided valuable liquidity for the market, greater than in any market outside New York and

If the jobbing system "proved to he uncompetitive in three, four or five years, we would have to change the dealing

Technological changes were likely. Already transactions were settled and information about them was carried by computer, but Mr. Goodison foresaw a time when "even some dealings" could be compu-terised,

Forests suffer £1m fire damage

FINANCIAL TIMES REPORTER

FOREST FIRES have caused more than fim worth of damage in the last fiva weeks, according to the Forestry Commission.

And it has warned that the total number of fires this summer could be higher than during the 1976 drought.

In the Peak District National

Park, five fires were still burnning yesterday and a park spokesman said: "We have lost more than wa lost during the summer of 1976, and we have closed more than 70 square miles to the public."

In North Wales, firemen were confident that they bad beaten the 500-acre Snowdonia forest fire which has been hurning since Thursday, but they were still busy dealing with gorse

fires in Gwynedd.

About 3,000 acres ahev so far been destroyed by fire, com-pared with the 6,000 acres which were destroyed during the whole of the 1976 drought. Fires bave been ranging in the Snowdonia, Exmoor, Dartmoor and Peak national parks, the New Forest and North Scotland.

The Forestry Commission has closed several forests judged to be at risk in Borth Scotland, the Lake District and in Derbyshire and Yorkshire and has launched a campaign to per-auada the public not to visit forests during the bot dry weather.

The commission and farmers hlame the fires on the public's carelessness. They argue the most common cause of fires is people forgetting to put out cigarettes and leaving them to smoulder in dry grass. The National Water Council

has discounted claims that the country is facing water shortages on the scale of the 1976

Rainfall during February, March and April was 20 per cent above the seasonal average, reserves are currently at high

Hose pipe bans, however, have been introduced in North Devon and parts of Cumbria and the Welsh Water Authority is to introduce a similar ban this week.

Progress on Dash 535

THE DEVELOPMENT programme of the Rolls-Royce Dash 535 version of the RB-211 engine, destined for the new Boeing 757 twin-engined airliner for British Airways, is gaining momentum.

The company says that over 1,000 bours of test running bave been completed with the engine at Derby, with fuel consumption within the guarantees offered customer airlines.

Thests bave been conducted on seven engines, and an eighth engine has recently joined the programme. One 150-hour endurance test bas been completed, and another starts soon. The first engines for the Boeing 757 are due for delivery to Boeing next year.

Orders and options for 91 aircraft, each powered by two Dach 535 engines, have been placed with Boeing.

Report hoost

BREAD was the most energyefficient item made by indus-

McDougall , the bakery group. Dr. Gordon Beecb said the bread needed only 1.5 fossil fuel calories per food calorie, against eight for mashed potato, nearly 11 for roast beef and 14 for canned corn.

National Savings up

NATIONAL SAVINGS had a more than £100m net intake in April, with deposits of more than £310m and repaymeous of £207m, both including accrued interest. Best contribution was f76.6m from the 19th NS certificates issues. But there were net outflows of f13.3m from the ordinary bank accoun; and £6.9m from investment account. Total invested in NS at April's end was £13.55bn (£11.79bn, April, 1979).

'Abolish NEB' ABOLITION of the National

Enterprise Board is called for in a book published today by the Centre for Policy Studies. It was commissioned before the General Election when Sir Keith Joseph was chairman of the centre, set up by him and Mrs. Margaret Thatcher. It recommends large-scale disposals of NEB holdings and handing over trialised food producers, said a BL and-A. Herbert to the De-researcher at Ranks Hovis partment of Industry.

customer 1s.

A new approach was needed, chair a tripartite committee on

Mr. Benn said. Successive which he would sit with the Governments and chairmen had, management and unions and



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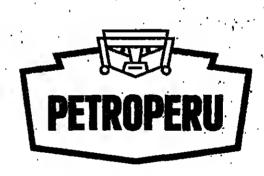
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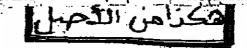


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suffer? **UK NEWS**

dama over egg imports

BY RICHARD MOONEY

A FLOOD of cheap Continental eggs into Britain could drive more UK producers into bankruptcy next antumn and winter, the Eggs Anth-

ority has warned.

Most British egg producers are only breaking even and indications that farmers in other EEC countries are stepping up production again are viewed with concern.

UK producers have been trying to avoid over-production. "In February, the UK was the only EEC country not to show an increase [in placing laying chicks in egg factories] over its 1979 level,"

the anthority said.
Total EEC placings were down seven per cent in 1979 but an upward trend started in the last quarter. February placings rose 13 per cent over 1979. Meanwhile UK placings have remained stable.

Accelerating chick placings are likely to mean lowerthan-expected egg prices throughout the Common Market this antumn and

Work safety is industry's duty'

as not looked to the UK AEA

certain this is the way in which we shall develop," he said.

Questions about chances of a

process going wrong and hurt-

ing someone were important,

not only because they would reduce the number of serious

incidents but because a whole

range of activities now depended on public confidence

that the operator had got the risks under control. Nuclear risks were several

orders of magnitude lower than other kinds of industrial risk, said Mr. Locke. His executive

was not sure that it was right

in pressing the nuclear industry

to meet safety standards much

higher than any other industry

hut public opinion expected it.

tive is a division of the Department of Employment.

The Health and Safety Execu-

"I am quite

for assistance.

BY DAVID FISHLOCK, SCIENCE EDITOR

MANUFACTURERS. · MUST engineering components and themselves assess hazards of processes and materials they used, Mr. John Locke, director of the Health and Safety Executive, said in

London yesterday. His executive had "not the slightest intention of doing the calculations for them," he told industrialists.

It was necessary for any company engaged in any intrinsically hazardous activity, or using intrinsically hazardous substances, to show that it had done a risk-assessment.

His executive, as a regula-tory agency, would audit the assessment. Mr. Locke was spesking on

the 10th anniversary of Systems Reliability Service, an offshoot of the UK Atomic Energy Authority, which undertakes risk-assessments for a wide range of organisations. The UR/AEA bas an income of about £500,000 a year for this

Systems Reliability Service is a club of organisa-tions which, for an annual fee, have access to what is claimed to be one of the world's biggest data-banks on reliability of

Lightning tests for longevity

By Michael Donne Aerospace Correspondent

Of its 84 members, 71 are outside the nuclear industry, BRITISH AEROSPACE. State-owned aircraft manufacmany from what hy nuclear turer, is starting a nine-month standards are seen as low-risk test programme to determine whether the Lightning super-sonic fighter can have its in-Mr. Locke said that the Health a ndSafety Executive, in questioning safety, as often service life extended.

As a result of the Govern ment decision to expand UK air defences, an additional Lightning interceptor squadroo is being formed from reserve air craft stocks to complement the two existing squadrons.

These aircraft will have to be in service for longer than originally expected, until the specialist Air Defence Variant (ADV) of the Tornado multirole combat aircraft enters service in the mid-1980s vice in the mid-1980s.

The aim of the strenuous fatigue tests now to be con-ducted on a Lightning is to discover whether the aircraft need structural alterations, as it will now be expected to fulfil roles more arduous than those for which it was designed more than 20 years ago.

Today's operational need is for increased flying at very low levels. This is believed to be the most likely form of attack by aircraft approaching the UK via the North Atlantic, but throws considerable strains on any aircraft's structure. The Lightning was initially designed for high

level interception.

The BAE's Aircraft Group designers and engineers at Warton, Lancashire, where the tests will be undertaken, believe they can buil dany necessary modifications into the Lightning. to mee the increased strength

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FT SURVEY OF CONSUMER CONFIDENCE

Sharp rise in optimism

By David Churchill Consumer Affairs

SHARP RISE in consumer optimism is revealed in the latest Financial Times survey consumer confidence pub-

The index of future confidence rose by 11 per cent to minus 26 per cent, the highest level for a year. The survey of just over 1,000 adults showed that 16 per cent expected con-ditions to improve, compared with 13 per cent last month. while 42 per cent thought that conditions would worsen, com-pared with 50 per cent in April. Although the May index of minus 26 per cent is at a historically low level, the rise in confidence this month suggests that the slump in consumer confidence in the past

Since the index figure of plus per cent in May last yearsnortly after the Conservative's. General Election victory—the index has slumped to the lowest recorded levels in its 10-year history. It stood at minus 46 per cent in February. In splte of the sharp improve-

ment in confidence in May, however, the six-monthly index,

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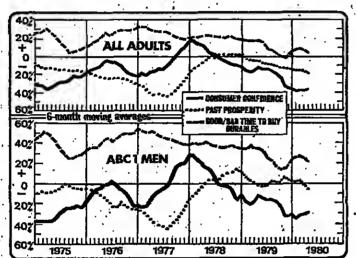
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last half-year, has only dropped one point to minus 37 per cent. . The main reason for the rise in confidence in May was a fall in the number of pessimistic consumers who felt the Government should be hlamed for following the wrong policies.

this month.

The high level of inflation, reason for pessimism. This was cited by 40 per cent of consumers, a rise of one point The main reason for consumers' optimism was simply the belief that "things must

improve. While all social groups were generally more optimistic for the future, the biggest inwhich gives the trend over the creases were revealed for AB

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and C1 women (professional and executive) and C2D and E men (manual workers). Both these social sub-groups recor-ded their highest indices of future confidence for a year. But while future confidence

has risen sharply, the level of Last month this was given as past prosperity has shown an reason by 28 per cent of equally sharp decline. In May pessimistic consumers, com- some 22 per cent of the survey pared with only 17 per cent felt that they were better off than a year ago, compared with 47 per cent who thought they.

This gave an index of minus 25 per cent-its lowest for with minus 14 per cent last month:

The Financial Times Survey Consumer Confidence wa carried out between May 1 to 8 by the British Market Research Bureau. A sample of 1,012

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Coal will supply motor and City fraud jet fuel, Ezra predicts

BY RAY DAFTER, ENERGY EDITO

WITHIN THE next two decades from coal would become increas-British coal will be providing ingly competitive before the end petrol for motorists and jet fuel of the century. for aircraft, according to Sir Derek Ezra, chairman of the National Coal Board.

Sir Derek told delegates at an many, Sir Derek said that the international energy conference UK was proceeding well with in Montreux Switzerland, yesternew technologies for coal day that before the end of the refineries. Successful research century coal would also be pro-viding essential feedstocks for chemical plants.

scale coal refining would begin available this summer all the further three years of operating to operate in the UK during the information necessary for a experience would be required 1990s. With continuing increases decision on the next stage of a to prove the capability of new in oil prices, liquid products more ambitious pilot plant.

After referring to coal pro-Africa the U.S. and West Gerand development at the Coal Board's Coal Research Establishments at Stoke Orchard. He predicted that commercial- near Cheltenham, would work

A convenient site to proces from different coalfields had been chosen at Point of Ayr, North Wales. However, After referring to coal pro-cessing developments in South cial support from the British Government and the European Community. The total cost of such a scheme would be about £30m, it is understood.

> Sir Derek outlined the timescale for pilot plant operations. Design and construction phases would take two years while a coal-refining technology.

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increases

THE City of London Police fraud squad report for 1979 says that in the year they dealt with allegations of major frauds involving about £30m. Indictable City crime increased by 13.2 per cent over 1978.

Mr. Peter Marshall, City Police Commissioner, writes in tary of the General and Municithe TUC's intervention. Howthe report of the difficulties enpal Workers' Union. countered in fraud inquiries and the length of time it takes to bring complex cases before

A large proportion of the squad's work involves international cases and officers were often required to travel abroad for evidence necessitating the permission of the countries

TUC urged to act over Isle of Grain laggers

BY ALAN PIKE, LABOUR CORRESPONDENT

members of other unions taking of the laggers, no way at all." over the work of thermal insulation engineers at the Isle of bers are involved in the dispute Grain power station site was demanded yesterday by Mr. Workers' Union made no com-David Basnett, general secrepal Workers' Union.

Mr. Len Murray, TUC general secretary, has already received call for intervention from the GMWU-which represents the engineers. It will be considered

Mr. Basnett, speaking in Bournemouth on the eve of his union's conference, et which the Isle of Grain dispute promises to be a very live issue, attacked "provocative statements" by other unions which were, he said, deliberately taking over the jobs of tha enginders, or

Chapple, general secretary of the Electrical, Electronic, Telecommunication and Plumbing Union, said yesterday: "There is no way I will agree to elec-

The third union whose mem--the Transport and General ment yesterday in advance of ever, it is also thought to be. unhappy with the open-ended

enjoyed by the laggers.
The GMWU executive has given Mr. Basnett full authority to take whatever action he considers necessary to protect the interests of the union's members at the Isle of Grain.

This could include widening the dispute unless the increasingly serious inter-union disagreement can be calmed down machinery.
Mr. Basnett said that tha

moves by other unions to take over his members' work were contrary to clear TUC advice. The CMWU had complied with this advice but other unions

More than 20 laggers are now

URGENT TUC action to prevent tricks getting half the wages being trained by the two main contractors—the Ganeral Electric Company (GEC) and Bab-cock Power—in spite of tha presence of GMWU pickets at

the gate. Both the EEPTU and the TGWU are convinced that the Central Electricity Generating Board would fulfill its threats to stop work on the site if work

cannot be restricted. iHs union was willing to follow a TUC recommendation and negotiate with the Central Electricity Generating Board but the board had refused to negotiate. We have asked the TUC to intervene to stop these practices

which can do nothing but harm to the trade union movement. We have always been-we still are-anxious to negotiate, But the atmosphere is hardly

of other unions who are break-ing with all trade unlon tradiwork of othe runions members, refusing to follow TUC advice and engaging in public slang-

Clegg error talks planned

BY JOHN LLOYD

agement side of the Burnham Advisory, Concillation and Arbi-Committee, covering primary. tration Service (ACAS) secondary and further education, will meet in London on of Burnham will tell ACA Thursday to discuss hte implications of the error made by the Clegg Commission in its report on eachers pay.

This has resulted teachers accepting an offer four per cent

The error is likely to have a per cent while the teachers irect effect on the current nego-claimed a 20 per cent rise. direct effect on the current nego-trations on teachers pay, which

NEGOTIATORS for the man- have been referred to the

recommended by the arbitartors is 4 per cent lower than it would

bigher than it should bave referred to ACAS as the man-been. referred to ACAS as the man-agement side were offering 13

of teachers' payments coupled The local authority members with the inexperience of that of Burnham will tell ACAS that Clegg secretariat—the Office of the "overpayment" by Clegg Manpower Economics—in deal-should mean that the award ing with the sector, is likely to be already consider. with the inexperience of tha ing with the sector, is likely to increase the already considerable pressure on and in Government to scrap the commission Last week in the Commons, a

which is thought to have been

Bill introduced by Conservative MPs under the 10-minute rule calling for the abolition of the The mistake in the report, large majority.

Thatcher 'misled' House on cuts

BY PHILIP BASSETT, LABOUR STAFF

MINISTER Commons last week when she latest round of Civil Service Mr. Ian badow Civil Wrigglesworth, Sbadow Service Minister, said yesterday. Senior Whitehall officials will today be examined on details of the cuts by the all-party Com-

mons select committee on the Treasury and Civil Service.

Middlesbrough Thatcher had not made it clear enough that many of the cuts to 75,000 posts over the next four years bad already been responsibility to show bow the

So "the statement was nothing more than a cheap propaganda exercise, once again using the Civil Service

Mr. Wrigglesworth told a polltical gimmickry than in seriously misled" the House of Labour Party meeting in seeking genuine improvements Mrs. In the efficiency of Government

cuts would be implemented in individual departments, to give a full breakdown of the cost involved in hlving off Govern-ment services to the private The cuts are also likely to as a convenient political foots come in for beavy criticism at the annual conference of the Society of Civil and Public Mr. Wrigglesworth said the Servants, the second-largest only conclusion to be drawn cuts, and whether legislation cuts and whether legislation which services were to be either reduced substantially or ended completely as a result of the Servants, the second-largest only conclusion to be drawn cuts, and whether legislation cuts and whether legislation cuts. Civil Service union, which opens was that the Prime Minister was to be introduced to wind was more interested in cheap up any Government activities. have agreed to use it.

Textile union loses members

POOR TRADE, due mainly to textile imports, caused loss of 2,000 members from the 57,000 strong National Union of Dyers, Bleachers and Textile Workers in the past year, delgates to the union's conference at Southport were

told yesterday. One of those made redun-dant was Mr. Les Herd, the Union's president. In a warning about the alarming" redundancy rate in the woolien industry, Mr. Herd said that among factories closing were some which had been completely modernised

The conference reselved ing overtime to 11 hours in a 40-hour week should be strictly maintained in effort to safeguard jobs. It backed a demand for a "substantial" pay rise without naming a target figure.

• IPC DISPUTE: Talks be tween the management of the International Publishing Cor-poration and chapel officials of the National Union of Journalists resume today in an effort to settle a dispute in which most of the group's magazines and the 1,500 journalists working in its business Press, magazine and book publishing divisions suspended.

Mr. John Pearson, secre tary of the NUJ group chapel, said that the union saw the talks as an opportunity to find out the management's terms for resumption of work. The union claims back pay for the three weeks of suspen-sion. IPC says it will nego-tiate on this as part of general wage negotiations.

 TECHNOLOGY TALKS: A further attempt to agree on ground rules for introduction of electronic news gathering equipment into Independent Television News begins to-morrow after the strike by members of the Association of Cinematograph, Television and Allied Technicians last

ITN said yesterday that both sides had fully accepted that the talks should proceed rapidly and agreement be reached by the end of Jane. ITN would then be the first major UK company to use the system, though three small ITV companies. Tyne-Tees, Gramplan and Channel,

Parliamentary business this week

COMMONS-Housing Bill, remaining stages. Qualifications (EEC Recognition) Order.

LORDS-Transport Bill, commitee. Dental Qualifications (EEC Recognition) Order. SELECT COMMITTEES Energy. Subect: Government's

nuclear power programme.
Witnesses: Sonth of Scotland
Electricity Board, Scotlish
Office. 4.15 p.m. Room 6.
Treasury and Civil Service. Subect: Efficiency of the Civil Service. Witnesses: Civil Service Department, Department of Health and Social Security, Department of Environment, Ministry of Defence, Inland Revenue. 4.30 p.m. Room 15. Public Accounts. Subject: Treasury Minute and inclusion of estimate figure in Appropriation Accounts, and National Insurance error in accounting for attendance allowance. Witnesses: Department of Health and Social Security 4.45 p.m. Room 16.

TOMORROW COMMONS—Housing Bill, remaining stages. Upholstered Furniture, Safaty) Regula-LORDS Employment Bill,

second reading. COMMITTEES Affairs, Overseas Development Sub-committee. Subect: Development Divi-Witnesses: Overseas Development Administration of the Foreign Office 5 p.m. Room 15.

WEDNESDAY

COMMONS — Social Security (No. 2) Bill, remaining stages. LORDS—Short debate on multi-coloured blind. Short debate on conservation of Antarctic marine living resonrces. Trees (Replanting and Replacement) Bill (HL), committee. Sbort debate on wire tapping SELECT COMMITTERS—Edu-

cation. Subect: Courses in higher education. Witnesses: Lord Harris of High Cross, Mr. Alan Maynard, Maureen Woodhall, Prof. C. T. Sand-ford, Lord Robbins, Sir Charies Carter. 10.30 a.m. Room 6. Welsh. Subject: Employment opportunities in Wales Witness: National Coal Board. 10.30 a.m. Room 16. Agriculture. Subject: Economic social and health implications for UK of Common Agricultural Policy on milk and dairy products. Witness: Mr. Peter Walker, Minister for Agriculture. 11 a.m. Room 5. Public Minister 11 a.m. Room 5. Public Accounts: Subect: Consoli-dated Fund, UK contributions to budgets of EEC. Witnesses: Treasury, Ministry of Agriculture. 4 p.m. Room 16. Transport. Subject: Channel link. ses: European Channel Tunnel Group, 4.15 p.m. Room 17. Social Services. Subject: Public Expenditure on social services. Witness:

Mr. Patrick Jenkin, Social Services Secretary. 4.30 p.m. Room 8. Welsh. Subject Employment opportunities in Wales. Witnesses: Confedera-tion of British Industry, Wales. 4.30 p.m. Room 15.

THURSDAY COMMONS-Housing Bill, com-

pletion of remaining stages until 7. p.m. Consideration of Lords Amendments to Social Security Bill.
LORDS—Edward Berry and Doris Ward (Marriage Enabling) Bill second reading. Industry Bill, third reeding.

Upholstered Furniture (Safety) Regulations. Short debate on congestion in public search room at General Ragister Office. FRIDAY

COMMONS—House rises for spring adjournment.
ORDS—Royal Assent to Bills. House then rises for spring adjournment

This is the day the Federation Cup begins. For one week, Berlin's Rot Weiss Club will be the site of one of tennis' most famous competitions. Great interwomen's tennis stars from 32 countries compete for the chance to win this esteemed title. NEC. a leader in communications and computer technology, is proud to sponsor this match, and willbe presenting the Federation Cup for the next three years (1980 in West Berlin, 1981 in Japan,

Dates: May 19-25, 1980 Venue: Rot-Weiss Club Oberhaardter Weg 47-55, 1000 Berlin 33, Federal Republic of Germa Organisers: International Tennis Federation, in cooperation with the Tennis

Federation of the Federal Republic of Germany

Sponsor: Nippon Electric Co., Ltd.



NECerents The Federation Cup'80

and 1982-venue to be decided). We look forward to seeing you at courtside.

مكنامن اللحسل

Building and Civil Engineering

Member £18m contracts won by Matthew Hall

In Glasgow Wimpey has won residents are in occupation and

a contract worth over \$2.2m is due for completion by the end from Scottish Special Housing of December.

company is for Nottingham City and in Hull the company has Council for the completion of been awarded a £1.8m contract

phases 3 and 4 of the Edwards by Unilever to cover alteration

MATTHEW HALL Mechanical This 44-acre site will comfor work in the commercial, some of the 18th century

is for services including air engineering; heating and EC2, for Standard Life Assurance Company in confunction

JUST ON £10m worth of con-

tracts have been won by

Wimpey. Two of them, awarded

by J. Sainsbury, are together

valued at £2.7m. One at Rayleigh

Weir, Essex, is for the construc-

tion and fitting out of a single

storey supermarket plus six sub-

let shops and car park and external works. The other is for

tha fitting-out of the Sainsbury

supermarket at Dagenham Heathway, part of the Norwich

Union Development which is also being carried out by

bution mains which serve the

beating system of the Victoria and Albert, Science, Natural

History and Geological Museums

in South Kensington, London,

is to be undertaken by Young

The largest of these, at £11m, of new, low-rise grante buildconditioning, electrical, fire a wide range of self-contained office units together with plumbing, in the new Cutlers squash courts, gymnasiums, Chase Manbattan Bank, NA, ing of beating systems in some Gardens Development, London shopping arcade, restaurant. also at £2m.

1,700 dwellings, is now being EC2, for Standard Life Assure executive flats and car parking Two substantial contracts are undertaken for the London facilities. Two acres will be

Wimpey wins £10m worth

Association for the construction

of 142 dwellings. The site is at Maukinfield Road, Parkhead,

Glasgow, and tha development

is scheduled for completion in

Another bousing job for the

building services

contracts worth a total of £3m

awarded to the company which

is a member of the UK. Building

Division of Trafalgar House.

October, 1981.

of three

ings. The complex will provide Partners, and the major re- work. furbishment, of services at Woolgate House, EC2, for The major contract for the upgrad-

being carried out at Solihull,

. In the industrial field,

Wimpey has won a £2.2m con-

tract from French Kier Pro-

perty Investments for ware-house units at the Mead Indus-

trial Park, in the Templefields

Industrial area, Harlow, Essex,

Other commercial contracts These include beating and Services has major contracts prise both the refurbishment of include building engineering industrial piped services for industrial and housing sectors, facades, and the construction national Centre, London W6 system boilers and compressors for Sir William Halcrow and together with associated pipe-

> In the housing sector. Borough of Southwark at their Aylesbury Estate, SE17.

£5.8m award to Rush & Tompkins

RUSH AND TOMPKINS is to build a new bead office for UK Provident under a £5.8m contract, the building to be known as United Kingdom House, This will be situated at Castle Street, Salisbury, Wilts., and includes an office block on two and four floors, two-storey amenity block with staff restaurant, conference and

training facilities used in the building which will have a gross area of some 91,000 square feet.

reinforced concrete construction on concrete bases with ground beams supporting walls of faced brick cavity construction. Areas of vertically-hung development laboratories and tiling will be used to comple- offices. ment the facing brickwork on the Castle Street frontage.

The reinforced concrete mansards and dormers of the office block will be covered with hand made tiling and leadwork and the flat roof areas will be finished with insulated asphalt.

Amenity block differs in that the roof is to be formed mainly by framed steelwork with steel trusses supporting timber rafters and bearers. Felt clad insulated metal decking will be used for the flat roof area. Plant rooms are to be built in the roof spaces to accommodate the sophisticated machinery necessary for a controlled environment.

External works include a landscaped courtyard surrounded on three sides by the office building, a feature entrance, floodlighting, car parks and

The construction period is

Irrigation in

national Fund for Agricultural Sarm Associates.

Aim of the first stage of the scheme, in the district of Kushtia. Jessore and northern Faridpur, is the identification of apecific development projects based primarily on water irrigation for subsequent implementation as part of an integrated agricultural develop-

This will include the supply of waetr, fertiliser, seed and credit, and wil lcomprise specific developments concentrating on the smaller farmers. It is

£8m store for Tesco

JOHN LAING Construction has won a contract worth nearly £8m for a department superstore, plus a market ball, covered mall, and multi-storey car park, to be built on a site. fronting the High Street at Chatham, for Tesco Stores.

Work involves construction of totalling approximately £18m existing buildings, retaining services, valued at approxi- extensions to production facili- a two-storey building comprising mately £2m, in the new, 10- ties, and amenity blocks, and a sales floor and an upper storey Hammersmith Inter- the installation of new heating storage floor, topped by a roof car park, providing a total gross floor area of about 10,000 square

> A single storey covered market hall with associated storage space will be linked to the superstore by a covered mall. Adjoining the complex will be a six-storey car park with space for up to 506

Construction of the store will be of reinforced concrete frame on piled foundations, with cladding of brick and glass rein-forced concrete. The market hall will be of steel frame with a space-frama roof, and the multi-storey car park will be constructed of reinforced concrete with brick cladding.

Work has already started and is due for completion at the end

Refurbishing work

training facilities.

WORTH fl.1m a contract bas
Full air conditioning and been signed between intersound reducing windows will be
national pharmacentical organisation Richardson-Merrel, and Project Interiors International (member of Unilock group! for the complete refurbishment of Both buildings are to be of a major part of the Shell Re-einforced concrete construc- search. Complex at Egham, Surrey, the whole of which Richardson-Merrel bas pur-chased for use as research and

> Work has already begun on the four buildings and includes completely stripping out fittings. and installing partitions, doors, floors and ceilings, as well as heating, ventilation and electrical services.

£5m Norwest Holst contracts

Norwest Holst by the British Gas Corporation. These are the largest of

several awarded to the group and bring the total to nearly

tracts are for mains and service pipe laying in the Gloucester, Swindon, Bristol, Blackwood, Ebbw Vale and Pontypool Ebbw districts

In Scotland, Norwest Holst is building a single-storey resid- Mountains (A\$198,5381.

TWO CONTRACTS, each worth ence for handicapped students £2m, have been awarded to at Motherwell Technical College (£733,4121 while at Canning Road, Southport, Lancs, it is providing bus washing and fuelling facilities for the Merseyside Passenger Transport

هكذامنالأجل

Executive (£121,620). The Gas Corporation con-On the other side of world, one of the Group's member companies, McGregor Construction Australia, is reconstructing Railway Parade, Woodford, New Sonth Wales for the Council of the City of the Blue

Industrial projects

Young Project Engineering of groundnuts. Runcorn, in association with Ted Taylor and Associates of Liverpool, as consultant for the overall project management of Project extensions to its groundmut processing sector—a £3m capital investment financed by the African Development Bank

and the European Investment Scheme involves new power for BXL Plastics generation, and seed crushing borough Chesbire.

THE GAMBIA Produce Market- facilities, with modernised river ing Board has appointed White wharfage, and bulk bandling of Work has started and is due for completion by the end of

Fairclough Design Management appointed the company to assist in the process and mechanical design for vacuum, cooling water and compressed air services for an £11m low density polyethylene facility for BXL Plastics, at Brom-

and construction will begin later this year. The Fujairah Cement Company has placed the supply of equipment contract with Voest Alpine and Co. of Austria. Completion is expected in April 1983.

consultancy contract, which is a fixed price contract, is worth approximately £1m to Blue Circle, who will act a project manager for the whole of

CRENDON

The right way

tobuild

FACTORIES OFFICES

& WAREHOUSES

CREMDON CONCRETE CO. LTD

Long Crendon Bucks.

Tel: 208481.

Fujairah Cement Industries Company has chosen Blue Circle

as consultant for the installa-tion of a 520,000 tonne per annum dry-process cement plant

It is boped that formal signing

of the agreement will be com-

plted within the next two weeks

Emirates

cement

plant

Industry's need for good roads

one of the first priorities, de- traffic. clared Mr. Norman Fowler, Minister of Transport, at last Asphalt and Coated Macadam the had to get to markets at bome and abroad and the industrial routes bad to be finished first; this meant above all the M25 orbital motorway round London and the routes to the major ports.

One major consideration was the improvement of the quality of life for people who now lived on these major routes and bad to suffer the noise, vibration, danger, and congestion brought

vestment that had already been Minister of Transport, at last made and—cutting out waste man of the Association and man-week's annual luncheon of the and unnecessary bureaucracy— aging director of J. G. Eccles programme bad to be Association in London. Goods carried out as efficiently as Mr Fowler said that last year

bis agent authorities spent some £94m on maintaining trunk roads and motorways in England (£7m more than planned by the previous administration). pointed out in March this year that we expect expenditure on motorway and trunk road maintenance to continue at broadly the higher level achieved in 1979-80, although the balance

tenance will be kept under re-

Mr. J. M. Boardman, chairsaid that although the roadstone industry realised that the immediate future lay in the maintenance of the system which provided unending, essential bread and butter activity, it was presently sadly pessimistic and feels that most people outside the business do not understand White Paper on Expenditure or appreciate problems its managements have to face.

Production of coated roadstone was a difficult exercise requiring a bigh degree of management skills.

DEBORAH PICKERING

PLANT AND MACHINERY

1) ROLLING MILLS 12in x 30 ln x 35in wide x 400 hp Four High Rerversing Mill. 5in x 12in x 10in wide variable speed Four High Mill. 3.5in x 8in x 9in wide variable speed Four High Mill. 10in x 16in wide fixed speed Two High Mill.

10in x 12in wide fixed speed Two High Mill.

6in x 16in x 20in wide Four High Mill.

150 x 100 mm x 15 hp Two High Tape Rolling Mill.

110 x 100 mm x 10 hp Two High Tape Rolling Mill.

2) WIRE FLATTENING AND NARROW STRIP ROLLING MILL Two sound by RWF. 10in x 8in rolls. 3) DECOIL AND CUT-TO-LENGTH LINES.

1500 mm x 3 mm x 10 Ton and: 15 Ton Coll. 1000 mm x 2 mm x 5 Ton Coil. 750 mm × 3 mm × 5 Ton Coll. 4) SLITTING LINES 1220 mm x 3 mm x 5 Ton Coll

920 mm x 5 mm x 10 Ton Coil. 920 mm x 2 mm x 2 Ton Coll 300 mm x 1.5 mm x 1 Ton Coll 36in and 48in Sheet Slitters 5) WIRE DRAWING MACHINES

-

6 Btock, in line, variable speed (560 mm x 25 hp D.C.)
9 Block, non slip cumulative (610 mm x 25 hp A.C.) block, non slip cumulative (560 mm x 25 hp A.C.). 6 Block, non slip cumulative 336 mm x 75 hp A.C.]. Horizontal Drawblock variable speed (915 mm x 75 hp D.C.) Horizontal Drawblock variable speed (456 mm x 25 hp D.C.).

Verticle Drawblock (2) variable speed (610 mm x 25 hp D.C.).

15 Die Cone type and 5pooler, 4500 ft/min (2 machines)

9 Die cone type and finishing block, 750 ft/min. 61 SHEARS AND GUILLOTINES

22 mm x 25 mm Cincinatti Plate Shear 510 0mm x 16 mm/50 mm x 50 mm PELS Scrap Shear. 2.5 m x 3 mm Hydraulic Guillotine, Keetona. SHEET LEVELLING ROLLS 920, 1,150 and 1,850 mm wide, HYDRAULIC SCRAP BALING PRESS, Fielding & Platt.

FORGING HAMMER 3 cwt, slide type. Masesy. AUTOMATED COLD SAW, non-ferrous, Noble & Lund. 111 BAR & TUBE REELER 75 mm capacity. 12) ROTARY SWAGING MACHINE, 25 mm capa 13] 28" COLD SAW, non-ferrous, Noble & Lund.

Wednesbury Machine Co. Ltd. Oxford Street, Bilston Tel: 0902-42541/2/3 - Telex: 336414 WICKMAN 6 SP AUTOMATIC 14": rebuilt to maker's limits.
WICKMAN 6 SP AUTOMATIC 12", rebuilt to maker's limits.
WICKMAN 6 SP AUTOMATIC 24", reconditioned to maker's limits. 200 TON HYDRAULIC PRESSES. Excellent.
LARGE INTERNAL GRINDER, swing 5ft, excellent.
200 TON CLEARING PRESS, inch stroke.

> ROLLS TOOLS LTD. Tel: 01-928 3131 - Telex: 261771

This £1.4m contract calls for to form a new factory for mannthe modernisation and repair of facture of frozen fish products dwellings while the for Birds Eye Foods. Putting in new installations

REPLACEMENT of boiler plant Austen and Young at a cost of and renewal of external distrireplaced by new pumps and water treatment plant will be installed. Consulting engineers are Isberwood, Boyd and Atkinson. In Queen Anne's Gate, London SW1 an 80-year-old office building is undergoing

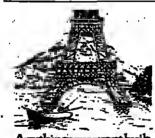
Old boiler plant is to be refurbishment Trollope and Colls (City) and for this Young Austen and Young has designed and is installing full air-conditioning and mechanical services. The work valued at £650,000 is for Builders Amalgamated and will

be completed by September. The third project is in Inswich at Tollemache and Cobbold Breweries' new central distribution warehouse on the Whitehouse Industrial Estate. Young Austen and Young has designed the services which include plumbing, beating, ventilating, installation cold store and kitchen services equipment. This contract which is for Cementation Projects is

Douglas gets £5 $\frac{1}{2}$ m worth

AMONG RECENT awards total-ling £5\fm, won by R. M. Douglas Construction, is a £2.2m workshops and transport depot at Darlaston for Wincanton Trans-

Other work includes a swimming pool at Widnes for Halton Borough Council (value £1m); provision market for Carmar-then District Council (value £935,000); and surface and joint repairs at Thornbridge Viaduct, M6 motorway, for the West Midlands County Council worth



Anything you want built, anywhere in Scotland Gilbert Ash

041-248 2511

Bangladesh FINANCED BY the Inter-

Development, is a US\$45m project for irrigation in Banglafor which Sir M. MacDonald and Partners bas been appointed for consulting services in confunction with Hunting Technical Services and

also proposed to supply irriga-tion water to adjacent areas.

This advertisement appears as a matter of record only.

Pernod Ricard S.A.

through a wholly-owned subsidiary has acquired

Austin, Nichols & Co., Incorporated

from

Liggett Group Inc.

The undersigned initiated this transaction and acted as financial advisor to Pernod Ricard S.A.

Bear, Steams & Co.

Atlanta/Boston/Chicago/Dallas/Los Angeles/New York/San Francisco Amsterdam/Geneva/London/Paris

May, 1980

NEC

All the action of next week's Federation Cup will be relayed live countries via satellite earth station equipment, much of which was

to viewers in twenty-five designed and manu-

factured by NEC. In fact, NEC built over half of all the satellite earth stations operating today. But satellite communications is only a part of what NEC does. As one of the world's largest integrated electronics makers, NEC has a leading role in almost every aspect of computers and communications. From tiny LSI's to full scale digital switching systems to telecommunications networks, NEC technology and reliability is in constant demand around the world.

NEC. The Computer and Communications Company.

Technical Page

IN THE OFFICE

Typewriter has many roles

tional Word Processing Exhibition at Wembley, Exxon Information Services will launch QYX, described as an intelligent typewriter.

Offering a combination of automatic typing aids and convenience features such as auto- field. matic erase backspace, automatic centreing and decimal tab. dual pitch and proportional spacing, push-button type-style changes, and automatic recall of frequently used phrases and formats, QYX provides greater versatility and faster, easier and

levels, upgradable in the office 1HT (01-834 9070).

TEXTILES

Wool carding invention A NEW mechaoical wool card- lower capital costs, running

ing process, which removes dirt costs and space and energy and separates wool fibres with requirements in comparison out using chemicals and with -minimal damage to the fibres. has been developed jointly by staff at Leeds Unievrsity and a . Keighley, Yorks., company.

Dr. Bill Oxenham and Mr. , Ian Wilson of the University's Department of Textile Industries have collaborated with Sir James Hill and Sons to develop the process. Trials over the past year have shown that the new process will not only enhance the quality of the wool but will also be able to handle fine wools and synthetics with the minimum of fibre breakage. Since removal of vegetable

particles and dirt after fabric production is very expensive, mechanical carding processes hitherto used to deal with con-taminated wool bave bad to be vigorous in action to remove effectively all traces of impurities and they have therefore tended to damage the fibres and reduce the quality of the wool. The alternative treatment, which is to use chemicals to dis-- solve away vegetable matter, also downgrades the quality of the wool and adds to the cost. The new process substantially avoids these problems, it is

University of Leeds says that with support from the Garment and Allied Industries Requirements Board of the Department of Industry (GARB) and the co-operation of Wm. R. Stewart and Sons (Hacklemakers) of Dundee a full development programme is in progress. The

TOMORROW at the Interna- as needs change. As an elecmemory floppy disc text editor, single line display text editor, or a communicating text editing system, able to communicate with other equipment from the group, the new unit cuts into office of the future

Starting at £1,290 QYX gives capacity for total electronic business communications on every secretary's desk.

QYX will be bandled by VYDEC, part of Exxon Information Systems, to offer sharp competition to Olivetti and to more productive typing.

QYX is available with upwards compatibility through five

IBM in that order.

Further from VYDEC (UK),
Carlisle Ploce, London SWIP

with current wool carding

Patents have been filed in Britain and abroad by Uni-versity of Leeds Industrial

Services and licensees for manufacture of the equipment will be sought during the

LATEST ADDITION to the

Trumatic range of automatic stitching machines is the micro-processor controlled sequential feed unit, the System 1650. This is claimed by Trubenised as tha leader in its fields and it is also the only machine based on a

microprocessor that is of UK

development and manufacture.

It has the ability to cover any

number of sewing programmes

within a single cycle and has a

particular value for reducing multi-handling work to a single operation. It offers manufac-

turers the ability to de-skill the

sewing requirement and to

This profile stitcher has its

own programming unit that can

he operating by a non-expert with ease. A dynamic working

memory and 85,000 character

and

provides adequate Needle drag is

obtain uniform results.

flopples

speed. eliminated

development programme.

Stitcher is

machines.

any degree of complexity in the size range 10 mm by 10 mm to 1,650 mm x 1,090 mm in quantities from 1 to 1,000-off can be pr duced at competitive cost within days in the majority of materials encountered in the manufacturing industries and can be readily cut by this laser unit in hicknesses of up o 4 mm for metal, 19 m mfor plastics and 50 mm for wood. Other materials as rubber, asbestos, reinforced plastics etc. can also be easily cut on the

equipment, installed by N. C.

ser Cutting Services at

Cark-in-Cartmel, Laser cutting is particularly cost-effective for short production runs as an alternative to press tool cutting. For example, components are at present being produced in quanties of 100 at a cost of £200 per batch. The cost of the same components by press tool cutting would be £1,500 per bateb including the cost the press tool. This aspect of laser cutting is becoming increasingly important as industry moves fowards an increase in low volume production of high technology equipment. More on Rochdale 31277

characteristics reduce both abrasion and corrosinu and therefore extend the service life

of the coal hauling equipment.

The application method for

vibraspray is simple, speedy and solvent-free. A coating of urethane from 15 to 30 mils thick can be laid down in a single pass. It sets up quickly

- in 45 to 60 seconds. In addition, because the system is

solvent-free, many of the poten-

Uniroyal has tested a range Vibraspray coating thick-

nesses for efficiency, economics

and durability. Optimum thickes established to date are

as rock products and ores.

Uniroyal Chemical Company, Spencer Street, Naugatuck, Conn. 06770, U.S.

flammability

reduced.

A measure of its capabilities that coal, which is often difficult to discharge from open bopper cars in the winter, does is an operating speed of 3 inches (75 m) a second on 1 incb leather. It is equally suitable not cling to either the sides, slopes or the discharge doors of the car when they are urethane for work with thick textile materials.

coated, but drops out cleanly. This virtually eliminates the Further details fromTrubenised (Sales) at Trubro House, Woolmer Green, Knebworth, Herts, Stevenage need for costly and time-con-suming shaking of the cars. In addition, the Vibraspray release

HANDLING Coal on a slippery

TO SPEED the unloading of tial toxicity problems usually associated with solvent sprays are eliminated, and in addition, flammability hazards are hopper cars used to transport trainloads of coal, Uniroyal Chemical Company has an approach that involves spraying the interior surfaces of the hopper cars with a slippery, abrasion and corrosion resistant drag is coating of a urethane formula-stitching tion called Vibraspray.



Heat level tightly controlled

THERMOSTATIC mixing valves Fitting is said to be easier via a simple proportioning incorporating an entirely new and cheaper because the valve mechanism. and launched by shower manu-

accurate control, over an extremely wide pressure range, ensure maximum user safety and require less maintenance. design and the materials used.

The accuracy and reliability of the new unit makes it idealfor any industrial or chemical process that requires a consistent supply of water at a precise temperature within the 30 deg C tn 50 deg C range.

it will allow only a 1 deg C change in the blend temperature even after a change up to 10 deg C in either inlet temperature. Process safety is also guaranteed because of the valve's extremely fast response time. In the event of cold water failure, total shut-off can occur in approximately 1.5

method of temperature control has its own built-in strainers and isolating check valves. Thus said to go further than any when fitting the valve, only two connections are required instead of eight. The inclusion of isolating valves contributes supply pressures. With an unconsiderably to simple fast recreated ontlet aren a 50 per second contributes. facturer Walker Crosweller when fitting the valve, only two and Co., of Cheltenham, have connections are required been designated the Mira 15 instead of eight. The inclusion The new valves are superior considerably to simple fast in that they give faster, more maintenance. In the event of the valve requiring servicing the water supplies are turned off using the isolating valves. The thermostatic unit which is Furthermore a longer working of cartridge design can then be life is achieved by the intrinsic quickly removed for servicing or replacement. However, to

make servicing less expensive,

individual components are

available.

The secret of the advanced performance of the Mira 15, says the company, lies in the "tharmoscopic element" con-The valve is so accurate that trolling the mixing of hot and will allow only a 1 deg C cold supplies. This consists of surface area, and containing an extremely temperature sensitive "polyeutectic" compound which expands or contracts according to the mixed water temperature.

flexible phosphor bronze metal seal nn the unit which in turn the

In normal use, the valve is

restricted ontlet, even a 50 per cent change from equal in the inlet pressures gives a less than 1 deg C change in blend temperature, Temperature stability is maintained even when the back pressure is as high as 80 per cent of the lower iplet

Walker Crosweller claims that the low stress design of the themoscopic element also results in greater reliability and a working life estimated at around 10 years' normal use. With a total operational force of 22 kg, the thermoscopic element develops more than sufficient force to clear buildup of scale on the valve seats. In fact the whole valve has been design to minimise scale deposition thus contributing to

long life. Walker Crosweller and Co. Wheddon Works, Cromwell Cheltenham,

DIRECT GAS-FIRED SPACE-HEATING PROCESS HEATING See us on Stand IF-34 at HEVAC-80 May 19th-23rd N.E.C. Birmingham

thurley &

· RESEARCH Finding a better material

U.S. INDUSTRY annually supports \$4.3bn in materials research and development, according to a study by Battelle's Columbus Laboratories.

Conducted for the Interagency Federal Comittee on Malerials (COMAT), the study showed that 26 per cent of the expendi-ture was for the chemical indus-try. Other industries supporting major efforts included fuels and energy materials, 15 per cent of the total; metals, 12 per cent, and plastics and rubber, 10 per

A similar, earlier study conducted by Battelle for COMAT, showed that in fiscal year 1976 tha U.S. government funded almost \$1bn in this area.

The Battelle study, which is based on 1977 and 1978, found that materials R and D performed in direct support of improved materials use is about

70 per cent of the total directed Supply-related effort is about 25 per cent of the total, and that related to waste manage-

ment and post-consumption salvage of materials accounts for about 5 per cent.

The study found industriallyfunded materials research and development is heavily weighted toward the national goals of material supply (1.6bn), energy supply (\$1.1bn), standards of living (\$766m), and maintance of a husiness economy (\$539m).

Battelle. Columbus Laboratories, 505 King Avenue, Colubus, Ohio, U.S. 43 201.

Imports threaten brassfounders

founders—believes that lts trading position is being severely eroded by imports, announces the National Brassfoundry Association, 5 Green-field Crescent, Edgbaston, Bir-

Value of imports in the first three months of this year in a direct threat to employment kitchen and bathroom taps, in their factories—even, per-

graphic speeds and high image

resolution is a new negative photoresist for the circuit pro-

duction industry put on the market by Philip A. Hunt

Chemical Corporation, a com-pany in which Turner and

Newall of Manchester has a 63.5

usually possible at these speeds. of a micron.

Tiny power controllers

silicon chips for the control of angle methods.

10 or 15 amps and both are Southport Me three-terminal devices able to (0704 65713).

For connection to 240 volt

per cent interest.

to 60 mils for this sions of only 49 x 16 x 6.4 mm.

Although most of the evalua- 50/60 Hz mains, these hybrid

tions have been on the unload- units offer a 50:1 size reduction ing of coal, Uniroyal is also and considerable saving in cost assessing the applicability of its when compared with conven-

Vibraspray technology to other tional units for the same hulk haulage commodities such purpose assembled from dis-

crete components.

have shown an exceptional in-

mingham (021 454 2177).

OFFERING BOTH high photo- Depth of focus on projection

Known as HNR 999, it allows now becoming commonplace in the use of high scan settings on projection mask aligners while the fact that manufacturing

reproducing original mask procedures for the new resist

dimensions more closely than is include filtration down to 0.2

THICK-FILM CIRCUITS using control up to 3 kW using phase

electrical loads up to 3,000 waits have been introduced by United provided or the device can be

Types are available rated at Liverpool Road, Birkdale, to or 15 amps and both are Southport, Merseyside PRS 4PF

ONE OF Britain's oldest estab-lished industries—the brass-founders—helieves that list have been traditionally strong) have developed from a steady flow to a flood. Principle challenge to tha UK product is from Italy. This accounts for half of the new

Commons on June 23 when they will express concern at what is

also becomes less of a problem.

The new photoresist is com-patable with existing produc-

tion equipment and processes and will be supplied as a ready-

to-use liquid in one gallon containers.

An interesting indication of

the exremely small dimensions

supplied in other torms with

the control potentiometer built

smoothly controlled from zero

Applications will occur in heater control and in the variation of motor and lighting

loads in many parts of industry

to 99 per cent.

the load power can be

Circuits made fast and clear Available in the UK from Hunt Chemicals, Torrington Avenne, Coventry, CU4 9TB

(0203 467914).

total, with West Germany com-

ing second. While German pro-

ducts are of a type and price competitive to British effort, those from Italy are eausing

CONTRACTS AND TENDERS



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Tender documents (Far East tenderers) are available at a cost of K100 (PNG Kina) per set, from the Commission's Office at: P.O. Box 1105.

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and otherwise at a cost of N.K.750 (Norwegian Krona) from the following address of the Consultant for the Project:

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1.00 PM ON 15TH AUGUST 1980

Befor Unn Offic

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it is published each Mooday in Naw York as a 64-page
magazine containing news items and hackground on world
business trends. Material from the Financial Times is
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WORLD STEEL

COPING WITH

CRISIS

good fortune is one of them

has made for close links

between the supervisory and the

executive boards. This in turn has made takeover moves and

The foundations of Thyssen'a

strategy were laid by Dr. Hans

هكذامنالأجل

THE MANAGEMENT PAGE

DIETER SPETHMANN the chief executive of West Germany's mammoth Thyssen steel group, is a scholarly, contemplative man who believes in management by persuasion, not diktat. Adapting one of Karl Marx's more usemorable slogans. Spethmann believes that forceful persuasion is the mid-wife

* RESEARCH

finding,

heller

D TENDERS

material

It is a philosophy which seems to have worked well, enabling Spethmann to steer Thyssen, Europe'a largest steel producer, through the choppy waters of the steel crisis, outperforming all of its German competitors, and most of its other Western ones too.

Over the past decade, starting well before the crisis was all too obvious by its presence, the group has diversified out of crude steel at almost breakneck speed, spreading its wings into special steels, into trading and services and into capital goods. It is now able to offer clients an extremely wide product range, stretching from pig iron to high grade structural steels, from car brakes to locomotives.

Pressure on margins

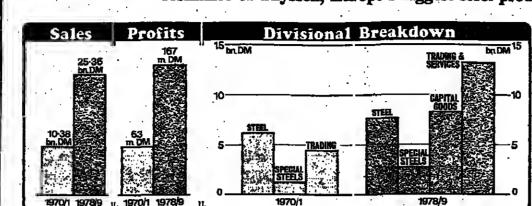
When Spethmann took over Thyssen in 1973, the group had turnover of about DM 12hn. This has more than doubled to over DM 25hn. Net profits have fluctuated over the past few crisis years but there bas never been any question of going into the red. Indeed net profits acturity edged up last ear to DM 167m from DM 100m in 1977-78. High energy and production costs will put the whole "management by persuasion" approach more pressure on margins in the vears to come, but no-one in Thyssen management feasible. seriously expects profits to drop inlow the low level of 1971 when net profits were DM 56m.

Guenther Sohl, who pulled By contrast, two of Thyssen's major domestic rivals. Hoesch together a going concern from the remnants of the pre-war Vereinigte Stahlwerke. As a and Kloeckner, have this year been forced to take radical steps young lawyer, Spethmann spent to drag themselves out of the a period soon after the war. trying to sort out the foreign Kloeckner announced a capital reorganisation debts of Vereinigte Stahlwerke which it hopes will bring it and thus came to the notice of back into profit in 1982 while Dr. Sohl, who later decided to Hoesch is to receive some offer bim the job of personal DM 240m worth of cheap assistant. Three years later, in government loans. Bonn has also announced state subsidies the mid-1950s, Sohl made Spethmann head of the Thyssen for the Saarland steel industry. tinance department, where be was involved in the takeover of Salzgitter, the state-owned steel concern, is expected to fall back the large Phoenix Rheinrohr into the red this year after just Steel tube concern. hreaking even in 1979.

By the 1960s it w

Casting a solid future—the German way

Continuing our occasional series, Roger Boyes examines the unusual resiliance of Thyssen, Europe's biggest steel producer



well Rheinstahl could be inte-

The move went well, though

Massey Ferguson, the Canadian manufacturer of farming and

construction machinery. Rhein-stahl's Emden shipping yard

came as an immediate hoost to

Meanwhile, the merger pro-

duced considerable economies of

scale in iron and steel output

and Rheinstahl's foundry capaci-

ties proved, initially at least,

useful to Thyssen. Some 7,000

workers were transferred from

Thyssen to the control of Rhein.

stabl (subsequently renamed

Thyssen Industrie) while 8,500

steel workers left Rhei-strbl for

Thyssen. Streamlining meant redundancies but these were

minimal and the unions lodged

few objections-with high cash

losses, an awkward management

rent that Rheinstahl would not

have survived long without

strategy. It would be wrong to

assume, though, that all is well with Thyssen Industrie, the

shipyard of Thyssen Nordsee

werke is on short-time working

together of three sections -Thyssen Energie, Thysser Kloene and Thyssen Engineer

ing — has created a useful sub division for marketing know

merger - within - a · merger are

expected to spill over to other aections

ever, bred a different and more

fundamental species of problem

recently complained that the group has become rudderless

Spethmann, that the company is too stee

Thyssen Industrie.

newly acqui

Thyssen's

grated into the group.

So why has Thyssen survived so well? Is the answer strategic Spethmann was being groomed for at least a senior board position. In 1964, at the age of 37, anning or just good fortune? In an industry where muddled crisis—management is the watchword, Thyssen certainly was made chairman of Thyssen's principal special steel concern, Deutsche Edelstahlwerke. The company boomed under his certainly seems to have more long-term perspectives than most other companies. "The aim," says Spethmann, "is to look beyond tutelage, diversified into new alloys for the aerospace the present crisis and evolve a industry and capitalised on the company that will be able to compete effectively in the 1980s, demand for rust free chassis for motor cars. in a world of political and economic uncertainties."

Spethmann returned to head office threa years later and Fine words-but other factors came effective deputy to Sohl. When the latter decided to give up the day-to-day running of the company, Spethmann was have come into play. Certainly, But more important bas been a certain dynastic awareness that

tha natural succe But the key point is that Sohl then became bead of the supervisory Board, where be con-tinues in an unusually activa The close links between Spethmann as chief executive and Sohl in the supervisory board gave the group important for manoeuvre decision making, and ensured that corporate power did not

Defining the limits

To bat extent have the ties etween Sohl and Spethmann had an influence on Thyssen's strategy? In an age of steel industry transfer fees it is of course tempting to identify cor-porate success too closely with the activties/ambitions of the In Thyssen the situation is a little more com-

Some subsidiaries — Handelsunion for e — bave relatively example - bave greater clout wthn the group and by modifying head office strategy on the ground can influence the direction of the grou pas a whole. The finance director has an important role in strategic planning as well, effectively defining the limits of growth of the main divisions link between Sohl and Speth-

mann was an important element in ensuring the continuity of Thyssen policy from pre-crisis to post-crisis times. While other German steel companies initially responded slowly to the crisis and then over-reacted with sharp retrenchment and capacity cuts. Thyssen managed the transition relatively smoothly. Diversifica-tion and the integration of new companies into the group structure takes time — aometimes, longar than the normal career span of an executive board chairman. By passing on the baton to Spethmann, however, Sohl has ensured that the guid-ing principles have atayed

The approach inherited from Sobl bad three main elements: first, broad diversification heyond crude steel production was clearly on the cards since Thyssen could see a crisis round the corner, second, expansion abroad, both interms of steelproducing concerns and in other fields; and finally rationalisation within West Germany was

within West German axis bas group been most evident in the diversi-under wrogramme. One of parent

Sohl's last moves before departorientated and insensitive to tha special difficulties of, for ing for the supervisory Board was a successful bid for Rheinexample, the automobile accesstasl, a broadly based crude steel sory market (a speciality of the producer in the Rubr. The Thyssen Industrie division). merger produced a company Senior Thyssen executives are

with an annual turnover of some DM 16bn (making it at the time (though they are hurt that they in terms of turnover the second largest German group in any industry after Volkswagen), a should bave found their way into print) and their position i understandable. Some degree of workforce of more than 150,000 strain is a natural and often and total crude steel output of necessary element in certain human relationships: field Both Thyssen and Rheinstahl were doing badly, partly because of the collapse in steel officers resent the general staff. By the same token, subsidiaries (thera are over 50 in the Thyssen group) complain about demand in 1970, partly because parent company control; it is of the rocketing cost of domestic and coking coal. But Thyssen too over-weaning or too soft, too specifically geared to financial bought in at a favourable price results or too intrusive. and everything hinged on bow

Thyssen claims that it regards this aa " creative tension." There is a sense of financial competithere are still a few digestion problems? Rheinstahl shed its tion between the four main divislons - crude steel, special chief lose maker, Hanomag, to steels, trading and capital goods - and it is understandable that some divisions will feel that they are being subordinated to other interests.

Yet it is clear that some of Thyssen's shipbuilding activithe criticism is justified. The ties, bringing with it a hearthy second prong of Thyssen's order hook including four overall strategy—the purchase of overseas production facilities has been littered with mistakes. In the early 1970s, for instance. Thyssen acquired a 49 per cent holding in a steel plant at Cosigua on the Guanabara coast, south west of Rio de Janeiro. The idea of the joint German-Brazilian project was to produce iron sponge through an oil-based direct reduction pro-But technical problems and the sudden rise in the price of oil rapidly made the project something of a white elephant managed to disentangle Itself structure and an inadequate from the venture. technological base, it was appa-

Dr. Dieter Spethmann, Thyssen's executive; an advocate of forceful persuasion.

The acquisition of Budd, the US automobile supplier, has also brought its sbare of difficulties. After profiting from the U.S. motor boom, it is now beginning to suer from its dependence on the American motor market. There has been a drive over the past year to reduce this dependence with a slight shift of focua to rail passenger cars, castings and plastic products.

On the whole though, Thyssen is bappy with its investment in Budd, and in the long term it offers considerable expansion possibilities on the North American continent.

Management by persuasion means more than persuading ome dissident senior managers to fall into line. ForSpethmann -and for his powerful finance director, Dr. Klaus Kubn, it means passing on the message to several different audiences at once.

It means convincing the workforce that wage claims have to be kept down below 7 per cent (IG Metall, the metalworkers union was demanding about 10 per cent but this spine settled for 6.8) If Investment levels are to remain high. It means that shareholders have to he persuaded that the company cannot raise its modest 8 per cent dividend, despite higher profits and the revival in steel demand. And it means

and speciality steels partly becausa of hefty energy and

Relations with the workforce have played an important part in Thyssen's thinking over the past five years, during which time capacity has been concentrated and streamlined. Production of crude steel has fallen from 13.8bn tonnes in 1972-73 to 11.58bn in 1977-78, perking up slightly last year to 11.9bn tonnes. Rolled steel production fell from 11.8bn tonnes in 1972-1973 to 10bn tonnes last year, though this was partly influ-enced by the 1978-79 winter

The drop in steel output then has not been a dramatic development—capacity is being only gradually adjusted to lower production and always with the negotiated approval of the workforce. Workers have been transferred without great upbeaval from the steels division tn special steel and natural wastage is often a favoured option. In the post-war years Thyssen inherited a fairly old workforce which made early retirement more feasible in the late 1960s and aerly 1970s. Meanwhile apprentices are playing an increasing role in the company, accounting for nearly 5.5 per cent of the total work-force against 4.5 per cent in the mid 1970s. Ultimately though. the total domestic workforce has grown throughout the current steel crisis from 92,000

1972-73 to 129,000 last year. Regular consultation between management and unions has been a key component of the Thyssen approach throughout the crisis years, as it has in other German steel companies. Workers' representatives have an important say in the company supervisory hoard and, on executive board, personnel director co-ordinates

closely with the unions, When worker representatives were first admitted to Thyssen's supervisory hoard there was an initial fear that wage claims would become tougher and that the company would be pushed below the profit line. This, as Thyssen managers now readily admit, has not been the case. worker-directors accept that the supervisory board is the forum for wage discussion.

The Government-sponsored Biedenkopf Commission into co-determination admitted that workers often pick up financial information from supervisory boards that prompts higher talking customers into accepting wage demands in good times than imilar blum yet higher price rises for crude and lower demands in bad. But other companies."

Thyssen does not view this as

The clear message seems to be that productivity has increased at Thyssen because and not in spite of the unions. Thyssen managers say that productivity in the crude steel division has now reached 1.9 tonnes of steel per man per shift, compared with one tonne 20 years ago. In special steels, in terms of turnover per man, productivity has treoled over the past 15 years.

The three pillars erected by Sohl remain — diversification overseas expansion rationalisation of steel capacity -but there are a number of largely uncontrollable factors that could affect the relative balance of these fundamentals. International crises and even national upbeavals—such as the coup in Liberia—have all taken their toll on Thyssen and other German companies.

Subsidised competition

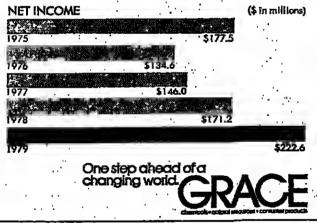
Protectionist trends in some industrialised countries, the U.S. Steel anti-dumping sult against European producers. the increasing importance of new steel producing countries, the aubsidised competition from overseas (and increasingly from withio Germany)—these are all important factors which will bite into steel margins and push Thyssen towards a heavler ependence on its trading

subsidiary. Mcanwhile although wage increases have been kept within reasonable limits, production costs are soaring. To this end, Thyssen is trying to reduce its high energy consumption. The company has the advantage of being able to meet most of its electric power requirements from its own power plants which use coking and blast furnace gas, and steam generated in the steel production process. The use of continuous casting and energy techniques have recycling belped to keep energy consumption per tonne of crude steel over 10 per cent below the amount used at the beginning of the 1960s.

ahly equipped for the post-crisis years and its management appears to have the flexibility of approach needed to maintain its competitive edge in Germany and Europe. Thyssen. one Ruhr Steel analyst claimed reeently,, "does not repress or chew on problems—It tries to solve them. Sometimes it makes mistakes but somehow they are always less costly, less dramatic than imilar blunders made by

In short, Thyssen is reason-

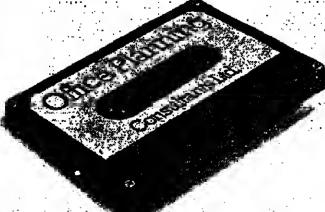
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BY OUR LEGAL STAFF

Restraint of trade

I have received my contract of employment letter from the agency by which I am employed. One clause employed. One clause stipulates that in the event of my wishing to leave my present employer, I may not work for a competitor in the same line of business, nor set np my own, within 50 miles of the present location. I resitate to signify my acceptance of their letter and wonder, in any ease, if this clause is enforceable. What, please, is your view?
We think that the restriction

n question is probably too wide and hence void as being a covenant in restraint of trade and contrary to public policy. If

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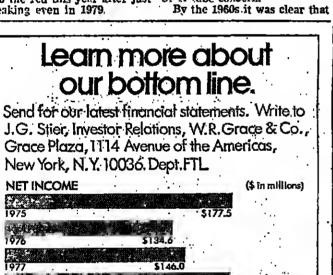
You will find general guidance in three free booklets, which should be obtainable which should be obtainable from your local Customs and Excise VAT office, your local DHSS office (or post office, possibly) and your tax inspector's office, respectively:

C & E Notice 700 — VAT General Guide; NI41—National insurance guidance for the self-employed; IR28—Starting in

If the figures are likely to be significant, you may well find it worthwhile to consult an accountant, at least for an outline of the commencement rules of schedule D as they affect your expected profits.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by





BY SAMUEL BRITTAN

IT IS characteristic of the media and opinion-formers to get worked up about yesterday's issueo and fail to see those of tomorrow, which are staring inflation, senior ministers do talk them in the face. For all the to union leaders. But they are headlinea about the 22 per cent rise in the Retail Price Index over a year ago, inflation has nearly passed its peak.

It will of course be a long time hefore the inflation rate is remotely satisfactory: but at least it is more likely to get hetter than worse. On the other nand pnemployment io an Indicator which will be

Begging

Some rise in unemployment is an inevitable accompaniment of policies to reduce inflation. But neither the size of this increase nor the level at which unemployment will eventually settle after the transition is over is fixed in heaven. Both are aggravated enormously by the aggravated enormously by the lack of a common language to discuss economic policy between different sections of society, hetween different members of the sections of society. the same party and even between different members of the so-called profession. economic

Mayhe in an ideal world the TUC would not exist or he a very different cort of animal. But it is madness not to talk with a major interest group, which has brought down three previous British Governments and which is now in a position of perhaps temporary weakness. So much so that, as much as its pride will allow, it is hegging to he consulted; and dreams of laying down conditions are very much in sheyance.

The urgent agenda item is what can he done to prevent millions of workers from being priced out of jobs not in 1990 or 1985, but this year and next. But having made the suggestion for talks, one immediately has reservations shout how such talks are likely to he conducted. The only half-true official brief about pricing ourselves out of world markets which has turned up for the past 35 years is worse than useless. Many official advisers. however hard they try, would only think in terms of a pay norm, and of diogulsing from the Prime Minister that this is

'what they are advocating.

BBC 1

fludicates programme in

black and white

You and Me. 11.40 For Schools,

Colleges. 12.45 pm News. 1.00

Pebble Mill At One, 1.45 Over the Moon. 2.01 For Schools, Colleges, 3.13 Songs of Praise.

3.53 Regional News for England

(except Londoo). 3.55 Play School (as BBC 2 11.00 am).

4.20 Cheggers Plays Pop. 4.40

5.35 The Wombles.

6,40-7.55 am Open University (Ultra high frequency only). 9.52 For Schools. Colleges, 11.25

In major European countries auch as Germany and France, where Governments adopt a largely monetarist approach to careful not to hint at a cash figure for wages. The dialogue is in terms of, "We cannot afford to let wageo rise any further than prices in the year ahead;" to which is added, "and we can't effset that part of the price increase due to oil or energy

In the British case, the question would have to be posed starkly in terms of whether we need a zero increase or actual fall in real, oot money, wages to safeguard employment.

It is not ohvious either who should conduct the discussions. The stilted Neddy-type dialogue necessary for the purpose of reflecting the criminal responfrom prepared hriefs makes little contribution. Moreover, present segior economic ministers do not revel in the dialectical to-and-fro required. The TUC is entitled to hear exactly what is wrong with fully confine the Crown'o case its objections to monetarism, or to the time when the criminal activity has been most promi-

Argument

One possibility would be to let the CBI and TUC have it out hetween them. The trouble bere is the effective absence of the public sector or a represen-tative of the wider public. A aecond possibility would be to let some of the second or third XI ministers, who do not mind argument, into the fray. third would be to put Professor Terry Burns, who is quick on his feet, really understands Government otrategy and bas similar personal roots to TUC leaders into a more front-line

Fourthly, Mrs. Thatcher could conduct the discussions—In which case some doctrinal purity would be accrificed for political impetus. These suggestions are not mutually exclusive.

Coming hack after any absence ahroad, the British poli-tical and economic scene resembles more and more animals glaring at each other uncomprehendingly out of hostile cages. It ought to be possible to do better than that, without going back to incomeo policy, "demand management" or government by TUC licence. the 11 miles,

THE TIME taken in trying trials could help reduce the time taken in trials, but their impact would not besufficient to eradicate the inordinate delays in bringing cases to trial becuse the cases in front ermot be disposed-of within a reasonable

> Sir Michael Havers went further, in his speech last week, in directing some well-merited criticism at the judges. He noted that many summings-up to juries were far too long and hence unhelpful to jurors seeking to unravel the essentials from the inessentials. And there was a mild rehuke at some judges that they tended not to sit in court for a full working day.

Complex

But appropriate remedies for these shortcomings would be mere palliatives to deeper and intransigent problems. cases today are more complex than ever before least there might be some reflecting the complexities of choice for the defendant modern txaation and commercial activity. Modero instances of trial before a tribunal that company accounts often involve a network of inter-related com- considerably less. panies of great intricacy. High taxtion rates and substantial stockbrokers governmental involvement by conspiracy way of subsidies and the like Exchange to the attractiveness of

THE WEEK IN THE COURTS

The case for specially-qualified juries

BY JUSTINIAN

are taken against the prepetra- way of the dollar premium on tors of complex fraudulent investment funds. By election schemes ther is bound to be of the prosecutor and the two lengthy expert evidence from defendants, the case was tried accountants and businessmen, to before three magistrates in the say nothing about the sheer City of London; they were a weight of documentation given lawyer, a retired hank official such increase because of the photocopying-machine.

Something more drastic is called for. The pointer seems to be in the direction of the jury. The fact that recently two or thre trials beacme abortive after many weeks of trial, hecause one or more jurors had been aproached with a view to giving a verdict in favour of the defence, prompts a query whether trial by some other method would be acceptable. At whether he might not accept would take less time and cost

Some three years ago two stockbrokers were charge with to contravene Exchange Control laws; they had engaged on behalf creating elaborate schemes for clients to operate a revolving dishonest ends. Where criminal proceedings operators milions of pounds by

who had worked in Exchange Control, and a property-dealer who was familiar with the workings of the Stock Exchange.

Reasoned

They sat for 30 days trying a complicated case. If the case had been committed to hie Old Bailey for trial by jury, the common view was that it would have taken about nine months to try. The justices convicted the two accused (one of them only of technical Exchange Control offiences and not of fraud) and gave a reasoned judgment for their decision. There were not appeals against the verdicts.

Instinctively there would be opposition to trial by a single judge, as takes place in comparable cases conducted in the civil courts. But there would he much fact that the special jurors

assessors appointed from among a panel of persons with ex- susceptible to improp-pertise in matters of commerce approaches from the accused. and finance. The alternative is to revive the nld system of special juries.

Before 1949 there were two classes of trial jury: commoo and special Special juries in the past had fulfilled twn different functions, one as informed judges of facts requiring knowledge of some special non-legal field, and secon das jurors of higher social status than

A revival of the speciallyqualified juries, not in the spirit that was behind the provision of jurors of higher social status hut nn the model of the commer-cial jury which had sufficient specialist knowledges to understand and make an informed judgment of the issues in question, would be feasible

Some years ago a Government committee rejected the idea, because it discerned that the majority of those giving evidence to the committee were against it: "Witnesses who have been able to speak with experience have expressed the view that the avegae jury today is able to cope even with long and difficult cases." Even if that be true, a special jury would be able to grasp the intricacies of a case much faster than an inexpert jury. And the

less objection if the court was would be drawn mainly from composed of a judge and two profeccional people would probbly mean that they were less A hundred years agn English

judge Sir James Fitzjames Stephen wrote glowingly of the virtues of the Special jury in his History of the Criminal Law.

Competent

"A really good special jury will usually consist of or as a rulo contain, men in every respect as competent to judge of the effect of evidence as any judge and the probability that they, or some of them, will possess experience bearing on the case which has not come the judge's way is considerable. I think that so for as skill and intelligence go it would be impossible to have a stronger tribunal than a jury of educated gentlemen presided over by a competent

judge." He concluded:

I think that in all criminal cases of any considerable difficulty or importance there. ought to be at least a power tosummon special juries. In short, I think a good judge and a good special jury form as strong a tribuual as can be had, but I think a judge without a jury would be a stronger average common jury."

Derby picture is confused

people's hopes, the outcome of Ireland's Airlie Collmore 2,000 does not have a chance. Ha Guineas at the Curragh con- orowed a woeful lack of pace fused rather than clarified the in the closing stages and he Derby picture, and for the also failed to steer a straight Derhy picture, and for the aecond time in 48 hours book towards the stand side when put makers suspended betting on the Epaom race.

criminal cases, complicated

fraud cases in particular, nor to

say the cost to the public purse,

is a-constant theme of speeches

made hy those responsible for

the administration of criminal

justice. Last week the Attorney-

General indicated some positive

ways in which the husiness of

the criminal courts could be

His main pleas were directed

at leading prosecuting counsel

at the Central Criminal Cuurt,

they put in the dock; it is a

waste of time and money to put

the lesser participants to crime on trial, because the effect is

usually to produce acquittals and, even if there are con-

victions, to inflict only monetary

penalties. Only the principal

offenders should be subjected to

There is also the problem that

is produced from indictments

framed in such a way that the

amblt of the court's inquiry is

enlarged beyond what is strictly

Rather than range over the

activity, prosecutors could use-

These procedural changes for

restricting the scope of fraud

of the defendanto.

period of criminal

the criminal process.

sibillty.

whole

to restrict the number of people

speeded up.

The winner, Nikoli, a hig heavy topped colt thought unlikely to run well on the Curragh'o coocrete-like underconditions — officially described as good to firm after being soaked with a million gallons of water-will not run in the Derhy. .

And both the aecond and third-placed, Last Fandago and Final Straw, will not stay the 13-mile course.

All in all, it is hardly sur-Fourth placed Posses, whose prising to find Ginistrelli now 12-mile course.

own r. Orden Mills Phicos, wes thought before Saturday's race to he in favour of Epsom, in spite of advice to the contrary hy Dunlop, will also not stay

Northero Ireland-3.53-3.55 pm

Monteverdi - hlinkered the first time on Saturdaywandering

RACING BY DOMINIC WIGAN

under pressure a quarter of a mile from home. Lester Piggott,

scrutinised intently the replay in the stewards' room after the race, summer up Monteverdi's summer." display as "useleso."

heading the Derby mar'despite a far from emphatic victory at Lingfield last time

However, should Hern decide to let Henhit run in the Derhy,

11.15 Monday Film: "The Norliss Tapes." 12.30 am Close: Personal choice

1.25 pm Anglia News, 2.00 Monay-go-Round, 2.50 Monday Film Matinea: "Callision Course," 5.15 University Chellenge, 6.00 About Anglia, 8.30 Survival, 11.15 Monday Late Film: "The Innocents," starning Deborah Kerr and Michael Redgrave, 1.00 am Reflection.

ATV

1.20 pm ATV Newadesk. 2.00 Money-go-Round. 2.30 Monday Matinee: "The Catcher," starring Michael Witney. 5.15 Leave it to Cherie. 8.00 ATV Today. 10.30 Left, Right and Centre. 11.00 Pye Colour Television Awards. 11.45 ATV Newadesk. 11.50 Something Officeans.

BORDER

1.20 pm aordei News. 2.00 Moneygo-Round, 2.30 Monday Metinee. S.15
University Challenge. 6,00 Lookeround
Monday. 6.15 About The Gerden, 2.30
Out of Town. 11.15 Veges. 12.16 em
Border News Summary.

CHANNEL

CHAINNEL

1.20 pm Chennel Lunchtime News,
What's 0n Where and Weathor. 2.00
Money-go-Round. 2.30 The Monday
Malines: "Something For a Lonely
Man." 5.15 University Challenge. 6.10
Animated Clessic. 10.28 Channel Lats
News. 10.32 The Tolevislon Programme,
11.00 The Pye Colour Television Awards.
11.45 Luke's Kingdom. 12.40 am Nows
and Westhor in French.
CDA AMDEAN

GRAMPIAN

GRAMPIAN

9.25 am First Thing, 1.20 pm North
News. 2.00 Monoy-go-Round. †2.30
Monday Metines: "Seven Thundors,"
starring Stephen acoyd end James
Robartson Justice. 8,15 University
Chellengs. 2.00 North Tonight and Area
Woather Forecest. 6,35 Out of Town.

11.1S Reflections. 11.20 The New
Avengers. 12.15 am North Needlines.

CID A NATA TO

GRANADA

1.20 pm Report West Hasdlings. 2.00

Money-go-Round. 2.30 Monday Matines:
Ren Narrison In "The Constant
Nusband. 5.15 Granada Reports. e.00

Granada Reports. e.30 This Is Your
Right. 10.30 Mosaley Goes to Wamblay.
11.00 The Pre Colour Television Awards.

HTV

1.20 pm Report West Hasdlings. 2.00

1.20 pm Report West Hasdlines. 2.00 Here Today. 2.30 The Monday Metines: "Trian Run." S.15 Sam. 6.00 Roport Wast. 10.30 Scep. 11.00 The Pye Colour Television Awards. 11.45 Twist in the

BBC Radio London: 1456kHz, 206m & 94.9vht

London Broadcasting: 1161kHz, 261m & 97.3vhf

we will have a worthy favourite. There is little doubt that in achieving a record breaking victory in the Chester Vase, Henhit put up the hest per-formance seen hy a potential Derby runner.

Returning to Source classic, it is interesting to what a triumph the outcome wao for that remarkable stallion, Forlie, sire of Posse. little satisfaction from the ont-

Vincent O'Brien, who gained come of the race, did sound a note of optimism after viewing Kris'a performance in the Total Lockinge. Hio comment: "That be beaten colt can

> WOLVERHAMPTON 3.00-Leiko 3.30-Tamarin Falls

WINDSOR 6.25—Dissipated Dollar*
7.15—Vaguely Ttender*** 8.15-Shelford Lad.

HTV CYWRU/WALES—As HTV West,

11.15 Monday Film: "The Norliss Tapes."

12.30 am Close: Personal choice with Isahel Dean.

All IBA Regions as London except at the following times:

ANCLIA SCOTTISH

1.20 pm News and Road and Weather.
2.00 Maney-go-Round. 2.30 Mondey
Matinee: "Some Girls Oo," starring
Richard Johnson. S.15 Little Vic. 5.00
Scotland Today. 8.45 Crimedeek, 10.30
Aftoat. 11.00 The Pye Colour Television
Awards. 11.45 Late Call. 11.50 George
Hamilton IV. SOUTHERN

1.20 pm Southern News. 2.00 Maneyge-Round. 2.30 "The Nealers," staining
John Forsythe. 5.15 Take My Wils. 6.00
Oey by Day including Southeport. 10.30
Southern Report. 11.00 Pys Colour
Television Awards. 11.45 George
Nemitton IV. TYNE TEES

8.20 am The Good Word followed by North East News. 1.20 pm North East News and Lookeround. 2.90 Money-go-Round. 2.30 Mondey Metinee: "Top accret," starring George Cols. 5.12 Mork and Mindy. 2.00 North East News. 2.02 Play it Agein. 8.25 Northem Life. 10.30 North East News. 10.32 Northem Roport. 11.00 The Pye Tolevision Awards. 11.50 S.W.A.T. 12.45 sm Epiloguo. ULSTER

1.20 pm Lunchtimo. 2.30 Monday Matinee: "The Constant Husband," sterring Ren Harrison, Margaret Leighton and kay Kendell. 4.13 Ulatar News Headlinos. 8.00 Good Evoning Ulater. 10.29 Ulster Westhon. 11.15 The Odd Couple. 11.45 Gardening Today. 12.18 am Sedtime.

WESTWARD WESTWARD

1.20 pm Westwerd News Headlines.
2.00 Money-ga-Round, 2.30 The Monday Matines: "Agmsthing For A Lonely Men." 4.12 Gus Noneybun's Birthdays.
3.15 University Chellengo. 8.00 Westward Olory. 10.28 Westward Late News.
10.32 Tha Television Programms. 11.00 Tha Pye Colour Tolevision Awards, 11.45 Luke's Kingdom. 12.40 am Faith for Life. 12.45 West. Country Westher, t Shipping Forgasts.

YORKSHIRE 1.20 pm Calendar News. 2.00 Moneygo-Round, 2.30 Monday Matines: "The
âlua Lagoon," ntarring Jeen Simmona
and Boneld Houston. 5.12 University
Challenge. 5.00 Calendar (Emisy Moor
and Selmont editions). 6.35 Chips.
10.30 Calandar Carouseal. 11.00 The Pys
Television Awards. 11.65 Kets Loves o Television Awards, 11.45 Kate Loves

World at 0 os. 1.40 The Archam. 1.55
Shipping forecast. 2.00 News. 2.02
Woman's Hour. 3.00 News. 3.02
Listen with Mother. 3.15 Afternoon
Theatre (s). 4.45 Short Story, S.00
PM News magezios. 5.50 Shipping
lorecast. 5.55 Weather: programms
news. 3.00 News. 2.30 The 27-year
lich (s). 7.00 News. 7.05 Tho
Archars. 7.20 Science Now. 7.45 The
Monday Play (s). 9.15 is There tile
After 50? 9.30 Kaleidoscepe, 2.69
Weather. 10.00 The World Tonight.
10.30 Conversation Piece. 11.00 A
Book at Bedtime. 11.15 The Florecial
World Tonight. 11.30 Tondy to Parlement. 12.00 News.

BBC Radio London 5.00 am As Radio 2. 8.30 Rush
Hour. 10.03 The Robbie Vincent Tele00na Programma. 1.03 pm London
Liva. 4.30 London News Desk. 6.35
Look. Stop, Listen. 7.03 Sleck
Londonars, 8.00 Question Time from

London Broadcasting
6.00 am AM with Bob Noiriess and
Ooe Fehy. 10.00 Brish Hayes. 12.00
LBC Reports. 2.00 pm with After Eight
Special Bougles Moffict. 9.00 Nightlino. 12.00 LBC Reports Midnight.
1.00 am Night Extra. 5.00 Moming

ENTERTAINMENT GUIDE

PALACK, 5. CC. 01-437 6834. Mon. Thurs 8.00 Fri., Sat. 8.00 and 8.40. JESU9 CHRIST SUPERSTAR. Group sales 01-379 6081. LASY FOUR MONTHS.

PICCAOTLLY. From 0 am 437 4506. CC bigs 378 6565. Gep bigs 836 3982./ Fully air conditioned ROYAL SHAKE-SPEARE COMPANY In two smash-throductions. Ton't. tomor, Wad 7.30, 1005. So 4.730 Hart & Kautman's ONCE IN A LIFETIME with 3 sward winning peris from Carmen Ou Sautov. Richard Griffiths and 20ê Wanamaker; and Pam Gens' adult play PIAF (next peri Fri) PIAF plays Fri thru Toes ait was all other peris LifeTIME. RSC also at Alewych and Warehouse Theatres.

PRINCE EOWARD, CC. 01-437 5877. Evis. 8.00. Mat. Thurs, and Sat. 3.00. EVITA by Tim Rice and Andrew Lloyd-Wabber, Directed by Harold Prince, Group sales 80x Omce 379 8061.

PRINCE OF WALES THEATRE 930 8681, Credit card booking 830 0846, An evening with TOMMY STEELE and his Company, Eygs. Mon.-Tinns. 8.30, Fri. Yand Set. 8.00 and 8.30, Book Now.

QUEEN'S. CC. 01-734 1166. E-s. 8.00. Wed. 2.00. Set. 4.30 & 8.00. Tom Contensy, Freddie Jones THE DRESSER, The new play by Ronald Harwood. Directed by M ichael Elliott.

RAYMOND REVUEBAR, CC. 01-734 1593 At 7.00, 9.00, 17:00 pm, Deers Suns, FAUL RAYMOND Aresents THE FESTIVAL DE EROTICA, New ACE, New CIJE, New Thrills, 25rd segsational year.

ROYAL COURT. S. CC. 730 1745, NAMLET by William Shakespeare with Jooathan Pryce as Hamlet Jill Baunett as Gertrude, Eyss. 7.3 sharp.

ROYAL COURT THEATRE UPSTAIRS, 73 2554, Opens Tonight at 7. Sub. Evgs. d. SEDUCEO by Sam Shepard.

SAVOY THEATRE. 01-836 8888. CC. 538 8118. (Mon. Fri. 10-6). LESLIE PHILLIPS, GIANA COUPLAND, RONA ANDERSON In NOT NOW DARLING. Mon. Thurs. 8.00, Fri. and Sat. 5.45 and 8.45. Red. gites Fri. mat. Group begs. rel. 01-330 3092.

SHAW. 01-388 1394. Reduced price Prev. Tonight 7,30. All sells \$1,50. Opens PYGHALION with PAUA WILCOX and Iconorrow 7.00. Sub-L eves. 7.40, DONALO PICKERING.

ST. GEORGE'S THEATRE. Tutnell Park. N7. Tues.-Sat. 7.30. MACBETH, 24-bour-bookings 807 1138.

TRAND. 01-836 2550. Svening 8.00 Matt. Thurs. 3.00. Set. 5.30 rind 8.30 LONGEST RUNNING COMEON IN THE WORLD. NO SEX PLEASE WE'RE SRIVISH. Directed by Alian Davis. Creek and 01-838 4145. Group sales 800 Obcs 01-838 4145.

TRATFORD-UPON AVON. Royal Shake-spesrs Thestre (0769) 292271. Tickets immediately available for RSC in AS YOU LIKE I'V tonight. May 21. 22 imat & ereb. ROMED AND JILLET tomor. May 23. C24 (mats. Recorded booking into (0789) 69101.

OPERA & BALLET COVENT GARDEN. CC. 5. 240 1066. [Cardencharge credit cards 0.56 59031, BADLERS WELLS ROYAL RALLET. Ton't 8.00 & The & Fri 7.30: Coppella Wed 7.30; Tricken und Isolde 8.5 Amphl. segts swall, for all peris, from 10 am oo day of part,

DUKE OF YORK'S. CC. 836 8122. Sun, 18
May 7.30 VICTORIA DE LOS ANGELES
In conversation with Alan Steweright.
Audio-visual illustrations. Special suesta
Gerald Moore & Timothy West, Booklog
opens today.

THEATRES

ALDWYCH, S. 836 6404, CC. 379 6223
Flu-6, Sats, 10-61, Inio 634 5332, Fully
all congistioned, ROYAL SHAKESPEARE
District Cut (1,40), 110
2.0C, From Strattord-upon-Aron THE
MERRY WIVES OF WINDSOR, RSC also
at The Warehouse and Piccadilly
Thatires

AMBASSADORS, 01-836 1171, Evos. 8. Mais. 102 2.85 from 20 May, 545 5.8 8. SOOK NOW. MARGARE: LOCK-WOOD, POLLY JAMES IN MOTHER LEAR 8 new play by ROYCE RYON.

ASTORIA. CC. S. 01-734 4201. 01-432 8031. 01-734 4380. Mon. to Thurs. 5.00. Fri. and 52t. 6.10 and 6.50. IPI 70481. 5th GREAT YEAR. Lowest griceg musical in the West End. Seato 6.2. 53. 54. 55. Reduced rate. Group 800kings 01-839 3092 (Special Offers).

CAMBRIDGE, 01-538 6358, Credit carpo accepted, 01-538 70444, Mon, to Fri 8.00. Thurs, 5.00, sat. 5.00 and 8.30, v/7ED 8EST MJSICAL DF THE YEAR NI 1980, 2nd TRIUMPHAN YEAR CHICAGO, 2nd TRIUMPHAN YEAR CHICAGO, 2nd TRIUMPHAN YEAR CHICAGO, 2nd TRIUMPHAN YEAR CHICAGO, 2nd 12 and CHICHESTER FESTIVAL THEAVRE, 0245 781312, Sesson soonsored by Markini 8 Rosal bd. YERRANOVA Ton'T, Tomor, Wed, Thar (ml. Fri, Set. The LAST OF MRS. CHEVNEY Thur. Set (m), Eves 7.0. Mats Thur & Sate 2.00.

COMEOY THEATRE, CC. 930 2878 Mon-Sat, 9.00, Met, Fri, ane 582, 6.30, THE ROCKY HORROW SHOW, GROUP Sales, Box Office 01-379 6081, LAST 17 WEEKS. WEEKS.
CRITERION, 030 3218. Bookings 370
6665. Group blus: 838 3962. Evgs.
8:00 Salts 538 3000 0.30 Thmm. Mat.
707 THE RED HOT LOVERS. Last Month.
Month. Last 2 Weeks.

OUCHEST 'H 01-836 8243. Grp. sales 379 808. E. 8.60. Sats. 3.50 & 8.30. Thurt. Mats. 3.60. MARIA AIYKEN, MICHAEL JAYSTON IN NOC! COWARD'S PRIVATE LIVES. DUKE OF YORK'S. CC. 836 5122.
GLENDA JACKSON. ROSE. A new Did by Andrew Davies. Evgs. 8.00 Mars.
Wed. 3.00, Sats. 5.00.
FORTUNE. S. CC. 01.838 2238.
EVGS. 7.30. Wed. 2.30. Sat. 4.00 Brid.
JAMES AUBREY and PATRICK MAGGE.

GARRICK CC 01-836 4801, Evgs. 8.00 (Sharp), Fri. and Sat. 5.30 and 8.30 WILLIAM FRANKLYN IN DEATHTRAP GLOSE THEATRE 8. CC. 01-457 1592 Group sales 379 6061. Eves. 8. Mat Wed. 3. Sat. 5 and 8.15. Beryl Reid Berry Foster, Peter Bowles, Jan Waper BORM IN THE GARDENS. MARVEL LOUSLY FUNNY." O. Exp. From May 38 JOHN BULL'S OTHER ISLAND by Bernard Shaw. HAYMARKET. CC. 01-030 9832. Even 7.45. Wed. 2.30. Ser. 4.30 & 8.00 LEONARD ROSSIER. PRUNSHAKE SCALES IN MICHAEL FRAYN'S MAKE SCALES IN MICHAEL FRAYN'S MICHAEL BLAKEMORE.

HER MAJESTY'S THEATRE, 01-930 6500 Keith Michell, Julis McKerzie, Mark Wynter. Ann Seach in the Award-Winning Broadway Musika. On THE 200 CENTURY. Eys. 8-00, Matinees Weds. 3.00, Satt 4-00. Now Booking Until Christmas. KINGS MEAD, 01-225 1218, Dnr. 7.
Show B. QUARTET by Ronald Mevor,
LYRIC HAMMERSMITH. CC. 01-741
23*1, W. End See Office 110 Charing X
RG, Ever 7.3C. Selb. 5 & 8.15. Thur Mat
2.30 Neel Covere's HAY FEVER. Cast
includes Constance Cummings & Joho
Le Meturier.

LYBIC THEATRE. CC. 01-437 3585. Gro Sales 378 5061. Evps. 8.00. Wods. 3.00 Sales 5.00 and 8.00. RICHARO SHIERS PALU. EDDINGTON IN MIDDLE AGE SPEAD. COMEDY OF THE YEAR WEST END THEATRE AWARDS. MAY FAIR THEATRE, S. CC. 01.629 J732. Doess June 2 7.0. Subs evgs 8.0 until 14. June, First West End season of the globally acdalmed ADAN DARIUS

2252.

OLIVIER (open stage): Fri & Sat 7.30

OLIVIER (open stage): Fri & Sat 7.30

(low orice prevs) SISTERLY PELLINGS

DEW CORROLD W Alan Avckboorn.

LYTTELTON (projeknium stage): Ton't

7.95 THE SROWNING VERSION.

HARLEQUINADE double-bill by Terence

Rattigan, Tomor, 7.45 WHEN WS ARE RARLEQUINADE course-oil by Terence Ration. Tomor, 7.45 WHEM WS ARE MARRIED COTTEST.OS (small suditorium—all this 5.3. Student standby \$1.201: 7on's, Yomor 8.00 Early DAYS new play by David Storey. Excellent cheeg. seats from 19 am dey bl. perf. zil 3 theatres. Car pare, Restauran 0.88 2033, Cradit card bkos. 928 3052. Alt-conditioning.

THEATRES THEATRES

WHITEMALL THEATRE. 930 7765. CC Paul Raymond presents FIONA RICHMONO and 8 Ecotal of Eaulier In WOTI NO PYJAMAS. Featuring Men Only Magazzoo's Senational Play-mates of the Year. Mon. Thurs. 8,30, Fr. Sal. 8.15 & 8.45. WINDMILL CC. 01-437 C312. bightly et 8.00 and 10-00. Suma-ang 8.00. Paul Raymond grezents CRF, lighter than ever far 1880. erotic Experience of the product Entit great year.

WYNDHAM'S, S. 01-836 3028. CC hkgs. 179 - 8565. Tickets only \$1.80-\$4.80 8458. 8.00. Fri. and sat. 6.00 and 8.40 hario fo's farce accidenyal death of an anarchist, Air condition.

CINEMAS

ABC 1 & Z. SKARYESBURY AVE. 838 R861, Sub. Perts. ALL SEATS BKBLE. 11 APOCALVPSE NOW 127, Wr. & Sum. 1.15. 4.30, 7.55, 70 mm Dolby stered 21 AMERICAN GIGGLO (X), Wr. & Sun. 4.40, 4.50, 8.00, Teledata 01,200 0200

Teledata 01.200 0200

CLASSIC 1, 2, 3, 4 CHELSEA, Kine's Re. \$52 5096, Last performances hookable. 11 8AD TIMING UZ. Sep. peris. Pross. 7.20, 5.10, 8.00, 2. SATURN 3 (A), TO RUSSIA—WITH S.40, 8.30, La CAGE AUX, FOLKS (AA), Pross. 7.15, 4.25, 6.35, 8.50, 8.00, 8.00, 8.00, 8.00, 8.00

CLASSIC 1., 2, 3. Navmarket (Pictadilly Circus Tobe), 01-839 1527.

1: SATURN 3 (A) # 70 mm Doby stereo aresentation, 1.20 (not Sun), 3.5d, 6.20.

TO RUSSIA—WITH ELTON (C) in Doby stereo, 5un, & Wk. 2.50, 5.25, 8.00.

2: BAO TIMING (X), Progs. 1.00 inot Sun.), 3.05, 5.40, 8.10.

3: APDCALTYSE NOW (X) in Doby stereo. Progs. 1.10 (5un. 1.30), 4.20.

7,30.

. 7.30.

CLASSIC 1, 2, 3, 4, 5, Oxford 5t, 01-836
0310 10:0. Totrenham Court Rd, Tubo;
11 THE GREAT ROCK, "N' ROLL SWINGLE
XX). Progs. -1.00, -3.0, -4.05, 8.50.
21 AMERICAN GEGOLO (X). Progs. 1,10,
130, 5.55, 8.23. CLASSIC, Leicester Square, 01-030 8015.

2: GONE WITH THE WIND LAI. Sep.
ports. 2,15, 7,00,
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19 Creature going to work with 17 Sorry study gets overworked very large amount (7)

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29 Desert after some hesitation and a lot of mistakes (6) 30 Miss not having been to a

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Godzilla. 5.00 John Craven's Newsround. 5.05 Blue Peter.

2 Daughter wrongs junior

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8 Letting record split with

11 Way sailor receives wound

15 Fail just the girl to marry

18 Bullish operator to study

20 Cut as many have to admit

hecoming aovereign sub-stitute (6)

26 Point to hird at the back (5)

alternative (8)

to Thatcher (6)

repeated turning over (4, 4)

with another cigar (4-5)

3 Henry James' college (5)

counsel (6)

6.55 Ask The Family. 7.20 The Dukes of Hazzard, 8.10 Panorama — The Real Unemployed; who are

Sonth East only):

6.20 Nationwide

starring Burt Lancaster. 11.25 Bellamy's Europe.

Cymru/Wales — 1.45-2.00 pm Pili Pala. 2.18-2.38 For Schoolo.

Scotland—12.40-12.45 pm The Scotland. 6.20-6.30 General Assembly of the Church of Scotland. 6.30 Join BBC 1

they? 9.00 News. The Monday Film: "The Unforgiven," starring

All Regions as BBC 1 except

5.55-6.20 Waleo Today. 6.55-7.20 Heddiw. 11.55 News and Weather

11.00 Play School. 7.25 Mid-Evening News includ-

Northero Ireland News, 5.55-6.20 Scene Around Six. 11.55 News Weather for Northero Ireland.

5.55 Nationwide (London and Weather for Scotland.

(Nationwide). 11.55 News and

(Plymouth).

5.40 News. F.T. CROSSWORD PUZZLE No. 4.275

ACROSS

4 Revolutionary hasia of cigar existence (6) 9 Left to welcome Pole with 7 Old priest goes over gallery float on air (8)

13 Drink always taken neat (5) 14 Issue putting clock back (4) 16 Port in which fachion is in

21 No good pudding (4) 24 Either headless alternative might belong to them (5) 25 Dress put on toff retains

21 Stopped heing drafted (5, 2) 27 Dye (during archaeological 22 This is about well-hred chap 23 Severe critic of alternative 26 Point to hird at the back (5)
Solntien to 4,269 will be published later.
The solution to last Saturday's
prize puzzle will be published
with names of winners next
Saturday.

RADIU 5
16.56 mm Westhot. 7.00 News. 8.05
Morning Cancert (a). 0.00 News.
8.05 This Wask's Composer: Tomkins
(5). 8.35 Sach (3) chemiter music
concort. including 10,29-10,30 inserval
Randon; 11,10 Bournemouth Symphony
Orchestra concert. part 1 (a). 12,20

England-5.55-6.20 pm Look East (Norwich); Look North (Leeds, Newcastie); Look North-west (Manchester); Midlands Today (Birmingham): Points West (Bristol): South Today (Southampton): Spotlight South

BBC 2 6.40-7.55 am Open University. 4.50 pm Open University. 6.55 Six English Towns.

ing sub-titles. 7.35 Around with Alliss, 8.05 Bird Spot 9.00 Barbara Dickson and ber

Band play Rhythm on 2. 9.30 Brass Tacks. 10.15 Rock Athlete. 10.45 Newsnight. 11.30 Russian—Language Peopta.

LONDON 9.30 am Schools Programmes. 10.20 Untamed Frootier, 10.43 Schools (continued). 12.00 Chorlton and The Wheelies. 12.10 pm Rainbow. 12.30 One Step Ahead. 1.00 News plus FT Index. 1.20 Thames News. 1.30 About Britain. 2.00 Against the Wind. †2.30 Mooday Matinee: "The Colditz Story." starring John Mills and Eric Portman.

4.15 Clapperboard. 4.45 Enid Biyton'a Famous Five. 5.15 Money-Go-Round. 5.45 News. 6.35 Crossroads.

7.30 Coronation Street. g.30 World in Action.

10.30 The Pye Colour Tele-

vision Awards.

Radio Wavelengths

693kHz/433m ~09kHz/330m & 88-91vhf stere 4 200kHz/1500m 5.00 am As Sedio 2 7.00 Cave Lsc Travis. 9.00 Simon Bates. 11.31 Paul Burnett. 2.00 pm Andy Peebles. 4.31 Kid Jensen. 7.00 Stayin' Allve. 8.00 Mike Raad. 8.50 Nawabeat. 10.00 John Peol (a). 12.00-5.00 am As

RADIO 2 S.00 am News Summary. 5.03 Ray Moore (e). 7.32 Terry Wogen (s). 10.03 Jimmy Young (s). 12.03 pm Oevid Hamilton (e). 2.03 Ed Stewart's Request Show (e). 4.03 Much Mora Music (s). 5.05 Weggorom. Welk. 5.20 Much More Music (e). 6.03 John Ounn (s). 8.00 Folk on 2 (e). 0.02 Humphrsy Lyttelton with the 8 set of Jazz on racords (e). 8.55 Sports Ossk. 10.2 Pop Score. 10.30 Star Sound. Jazz on recolos (e). e.se sports USBK.
10.2 Pop Score. 10,30 Star Sound.
11.02 Brian Metthew with Round Midnight, Including 12.00 News. 2.02-5.00
mm. Tou and the Night and the Music

RADIO 3

3 1215kHz/267m & 90-92,5vtrf stereo

pm Interval Reading. 12.25 Concart, part 2. 1.00 News, 1.05 89C Lunch-time Concert (s). 2.00 Meshes Mus-Galo (s). 3.00 Byrd: Cantiones Saemo calo (s). 3.00 Byrd: Campones Saemo of 1589 (s). 3.30 New Records (s). 4.55 News. 5.00 Mainly for Pleasurs (s) († and mone only from 8.20). 7.00 City of Birminghem Symphony Dirchestra concert, pert 1 (s). 7.50 A Poculiar isetitution (talk by Gipek Nandy). 8.15 Concert part 2 (s). 2.10 Man Before Models, discussion, with Professor Harbert Birmon, Mary Goldring. 10.00 Pleno Recital (e). 10.30 Jezz in Britain: Mike Osboma Quartet (s). 11.00 Naws. 11.05-11.10 Closedown: Harpsichord music by Balbastre (s).

RADIO 4

e.00 sm News ariefing. 8.10 Ferming Week. 6.25 Shipping forecast. 6.30
Today. Including 6.45 Prayer for the Oey. 7.00, 8.00 Today's News. 7.30.

8.30 Today's News. 7.45 Thought for the Oay. 8.35. The Week on 4. 8.45 Miles Kington with the BBC Sound Archives. 0.00 News. 9.05 Start the Week with Richard Baker. 10.00 News.

10.02 Money Box. 10.39 Osily Service.

10.45 Story Jims. 11.00 News. 11.05
The Angel of the Prisons; an account of Elezabeth Fry. 11.60 Pestry Pilesz. Adrian Love's Open Lins (9). 7.30
12.20 News. 12:02 pm You and Yoors.

12.00 The Prisons of Ariem. 1990 (8). 12.65
Tony Myatt's Late Bhow (8). 2.03 am Peter Young's Night Flight (8].

هكذامن اللحل

THE ARTS

Warehouse

Pericles

MICHAEL COVENEY

fronted with this play can we text and the best example of truly he said to be critics of how Messrs Daniels and Asia Minor. The action moves from Pentapolis (somewhere in Greece) to Tyre, Ephesus, Thar-

sus and Mytilene. Directors usually excuse this bitty travelogue with shows of Graeco-Byzantine excess or else with some florid presentational idea such as placing the entire action in the hrothel at Mytilene Pericles's daughter, refuses to join the oldest profession before being reunited with her tempest-tossed father. This latter ruse was employed by the Prospect Theatre Company in 1973. Ron Daniels, directing for the RSC. goes for narrative simplicity and comes up trumps by allowing the poet Gower to manipulate our imaginations, and the story. within a charmed circle traced on a bare stage.

The result is, in many ways.

an ideal studio production, patient with the tedious plotting of the early acts and inventive aleng pretty familiar minimalist lines. Griffith Jones's wise and authoritative poet is directly implicated towards the end by giving him the lines of Pericles's stalwart friends from Tyre And the opening tale of incest in Antioch — where Pericles is deprived of a wife by deciphering the riddle that reveals the girl to have slept

When invited to review a play a marvellous performance by in the provinces. James Agale painfully yielding the beautiful tartly informed his editor that he was not the critic for Asia Minor. Times change, and most mather. These (Emma Minor. Times change, and most mother. Thaisa (Emma of us set sail as often as the Williams), has been returned to unlucky Pericles in the pursuit him, that he lets her go. It is of duty, but only when con- an inspirational gloss on the

Thaisa has been despatched for dead-"scarcely coffined in the coze"-on one of the many hair-raising voyages our hero has to endure. Although a storm at sea is done by hanging a turbulent washing line across the stage, Mr. Daniela is not so minimalist as to eschew sound effects or trick lighting. Similarly, the very boring scene where Pericles wins Thaisa in competition with six other Greek knights is transformed by cunning choreography and an ingenious little dance of the seven males waving their head-

In Tharsus, the picture of a deprived and hungry community comes dangerously close to a parody of Peter Brook's Les Iks, an RSC poverty tablean with peasants moaning and writhing before rejuvenated with in-decent baste at the sight of a

. In the brothel there is an expansive comedy contribution by Heather Canning, and the major scene where Marina repels the Governor's advances is effectively handled (if that's the right word), on a white mattress. I feel that Thaiss should be brought to life more magically than by having her feet tickled, but even that scene with King Antiochus—finds a feet tickled, but even that scene reverherative parallel at the is done with the sort of serene end. Here, Peter McEnery tons dignity typical of the whole.

Festival Hall

Sea and Sky

by DOMINIC GILL

Sky, commissioned by the London Philharmonic Orchestra. and first performed by them under Elgar Howarth on Friday. was a remnant from what might have been-if the Arts Council had not withdrawn its support— the sense that not one half of the sheer poetry of the score the second of William Glock's the notes that Finnissy crowds in their search for the "long 20th-century orchestral music into his densest pages could series on the South Bank. ever be heard in any kind of

ambitious interesting, uncomfortable work scoring is for full symphony orchestra with celestas, harps moments one suspected could and five percussionists these have been as much the result of last a group who play an It is not clear to which of the to the point. The final impres-two large and generalised sion was of a struggle between areas of Reality "-as Finnissy cbaracterises, the two nouns of belong: perhaps to hoth. But unarresting piece of sound-they dominate the action, and colour composition by a comoften obscure it: massive roulades of drum-heat, gong-beat, texture as sustain and define it instrument.

Jazz in Nottingham The Jazz Centre Society is continuing its series of events at the Black Boy Inn, Market Street, Nottingham, with an apearance hy the Peter Jacob sen quartet on Wednesday May 21. Led by Jacobsen on piano the group comprises Chris Biscoe (alto-sax) Paul Carmichael (bass) and Tony Marsh

JCS will present lan Carr'a Nuclens as art of the Nottineham Festival on Wednesday June 11.

Michael Finnissy's Sea and Sticks and Drums could be another title, just aa apt. Between times, when the drums are silent, the instrudrums are silent, the mistanmental writing is husy—and
curiously hland. Much of the
score is hugely overwritten: in
that not one half of
the sheer poetry of the score
that not one half of ever be heard in any kind of of Mehta's conducting was its Like Finnissy's recent London performance; but more import-sinfonierta commission, along ant, that the actual effect of to the fantastic picturesque side, his new orchestral the blending of so many layers copiousness of the Wagnerian essay, 18 minutes long, was an and rhythms was texturally orchestra. That moment at the and banal—ineffectual complication start of Act 2 when the offstage horns cease their cry and the rather than inspired complexit-Even the odd ingratiet!-chance as purpose; a 'graphic addict turns over—was realised cramy of the Veikers mien; she tloos and the terrific price of ally notated score would have with wonderful vividness; in a Burne-Jones princess tall and the t icket this Triston is important, omnipresent and ally notated score would have sometimes overwhelming role. heen easier to play, and no less theory and practice, mind and heart, sea and sky, unsuccesstitle—the percussionists fully resolved: a decand, but poser who would passionately like to find, hut who has not hammer-beat do not so much yer found, his own way to use accompany or punctuate the the symphony orchestra as an

> Middle Age Spread' cast changes

Rodney Bewes and Francis Matthews will take over the starring roles of Collin and Reg from Richard Briers and Paul Eddington in the comedy Middle Age Spread at the Lyric Theatre on Monday. June 16.

Also joining the cast will be June Watson as Elizabeth in place of Marjie Lawrence and Lucy Fleming as Judy in mace of Judy Loe. Tom Chadbon and Sheila Grant atay as Robert and Isobel.



Berit Lindholm and Jon Vickers

Covent Garden

Tristan und Isolde

by MAX LOPPERT.

off, indeed, from the hest currently available; and it has been tactfully fitted into what some of us atill think of (even though his name bas long been absent from the hills) as the Peter Hall production. Now supervised hy Elijah Moshinsky, with pas-sages of real insight to make amends for the forgiveable loss of original coherence (and with one of the original betisesneither musical nor dramatic sense is improved by showing Brangane to the audience during her warning from the towerl, the staging presents each player to some individual advantage.

The Royal Opera has also engaged Zubin Mehta to conduct his first Wagner opera in London. There, some might say, is the rub; a performance inhibited from the greatness which should lie within its grasp by the inchoate Wagnerian conception of its musical director. This is too sternly pnt; one would not wish to discount the many great beauties view." The strongest feature horns cease their cry and the clarinets hegin their low founthe very attack of hows on lissome, with ao imperious yet eminently worth a visit.

For its latest revival the strings there was in the third-vulnerable manner, and quick, Royal Opera bas engaged a most act prelude a foretaste of deso-searching eyes. The teoor does distinguished cast. It is not far lating sun-wracked calm. Gener-not merely relax the classical rules of Wagnerian singing, he ally, the playing was of very moves far ontside their realm. high quality; how remarkably good (and also had) the Covent emitting great shouts of despair like boulders from a mighty sling, whispers of love and Garden orchestra can be! If orchestral sound, and the croons of anguish, and (at times) a variety of parlando inflexions uncomfortably gift of igniting each passing dramatic incident, were all that

the opera predicated, this would be a red-letter Trisfan. As it Is, the failure to scale the acts according to a structoral com-prehension and coagmentation of each long paragraph leads increasingly to the sensation that while the surface of the score has ben excited, the core remains undistorhed. Unable to lead patiently and firmly to the inevitable climax, Mehta must create climaxes of his own. The first-act prelude contained the first but not the last example of a sudden injudicious acceleration; to the husiness of push and rush Brangane's glowing phrases o feomfort in Act I Hor' mich! Komme! Setz dich her!") were a particular casusity; in Marke's monologue what we ntoed was not the shape and direction of the music

but the mournful colour of two

basses - Gwynoe

solendîd

Howell and the clarinet—in conjunction. The rewards of this performance are many, but not Jon Vickers and Berit Lind-bolm, returning to the title roles at Covent Garden, are partnered bere for the first time. While looks must not be counted the most important feature of their

approaching the Schoenhergian Sprechgesing. Step outside Vickers' third act for a single moment and you may find yourself hlinking incredulously at quality of the acting dangerously close to ham. The genius of the performance lies not least in its willingness to live dangerously, It is good to see and hear Lindholm again. The voice is perhaps an acquired taste-the persistent vibrato can infuse acid harshness as well as Nordic sensuality ioto the timbre—and its limits in encompassing radiance and rapture are fixed, though (it seems to me) a good

deal less so than in the past. But in her Isolde one senses a new passion, an enriched dramatic presence, a deepened emotional range—the surprising freshness and grace of the Liebestod on Friday showed oot only that the soprano had paced herself will in the role but that she belongs fitty to it. Yvoone Minton's beautiful Brangine (voiced just a little less sumptuously than at Bayreuth) is new to the house; Donald McIntyre's Knrwenal is long familiar and still lo sturdy form, success joint and individual, It though there is too much stagey would be foolish not remark on over-reaction in the first act and the handsome images they im- too much troubled head-nodding print on the memory: a melan- in the third. Howell's Marke tain hurble—a moment when choly knightly intelligence deepens at each encounter, the heart of every Triston inclsed on every crack and Despite all the earlier qualifica-

Arts news in brief

will read a specially commis-

has always specialised in paintings. Entitled The Burlington

Fair (Burlington Fine Art and

Antique Dealers' Fair); it will

he presented by arrangement with The Burlington Magazine.

President of the Fair is Sir

Hugh Casson, President of the

about John Keats.

Barveys of Bristol are associ-ted with the 13th Lake District Third sponsored events will ated with the 13th Lake District estival, which takes place from May 23- June 14 by sponsoring three events. The company has also made a substantial contrihution to the costs of the advance publicity leastet and other promotional material

The first of the events to be sponsored by Harveya, on Friday May 30, at The Barn House, Charlotte Mason College, Amhleside, "... But Then Fore To Foce." an entertainment with discussion and readings from the works of Blake and de Quincey about their concepts of childhood with Melyvn Bragg (chairman), Rrevel Lindop and Robert Oshorne.

ectond Harvey's hacked event is on aSturday. May 31. when the Lake District Festival Orchestra, performs at the Parish Church of Kendal with Royal Academy of Arts.

The Fair will be open dally, including Sunday, from Tuesbe on Sunday. June 8, at the day. September 9 to Wednesday, Charlotte Beehive, Masoo September 17. College, Amhleside. when Bernard Lloyd, a member of the

Nearly 30 smsller cultural organisations have received cash grauts from the Greater London Royal Shakespeare Company, Conneil's arts committee during sioned miscellany of poems the past financial year.

Reviewing the allocation of £672,000 made in arts grants from their life, until their over the past 12 months, Mr. audience relapsea into imbecility The Royal Academy will be the venue in September of a fine art and antiques fair which Freddie Weyer, GLC arts comwill not only continue the tradimittee chairman, said: "Even in these days of cuts in spending tion of the Antique Dealers' Fair hut will include the Burlington Fine Art Fair which the amount we have distributed is an indication of the positive support we make to the arts. This amount is nearly double our allocation to small organisations made during the previous the special grants we make to the major performing arts organisations who are recognised | helow the appearance of the first as a special case."

Wigmore Hall

Hammond-Stroud

by PAUL DRIVER

thet baritone Derek Hammon-Stroud and Geoffrey Parsons "romances" that Ludwig Tieck added to his "love story of the and passions. The richly assorted moods do make a definite progress, but the story itself, its wonderfully improb-able epic vicissitudes, are not (could not be?) implied with sufficient clarity for the sequence to he properly selfcontained. Accordingly, Derek Hammon-Strond Interspersed hetween the songs extracts from quite Perhaps greater antonomy and

- Brahms's Die Schöne Mage- cohesion would have resulted if with appropriate division into lone, which was presented by Brahms's musical palette had sections and changes of tempo been wider. The songs heg for a fleet diversity of treatment: last Friday, is almost but not they are heroic, dreamy, tender, The impassioned, fanciful, suffused settings are of the 15 with the softness of youth, as the opening stanza splendidly indicates: "No-one has yet beantiful Magelone and Count regretted/mounting his steed/in its strengths and timitations. He Peter of Provence to repre- the bloom of youth/to fly made the very best of a bad give vent to their fluctuating most clear-cut emotions—fer-(mostly solitary) sentiments vour easy jogging nonchalance, and passions. The richly four-square solemnity. Tieck's reflective poetry has been just drained away; the tone has called for here. Or else the more mercurial writing of Brahms's late piano intermezzi?

impressively solid and elaborate out to almost cantata length, marvellous old story.

(one of the best is Wie soll ich die Freude, no 6). This aspect was well understood by Ham-mood-Stroud and Parsons: the latter's piano-playing seemed in fact to have seized utterly the spirit of Brahms, conveying both Peter of Provence" to repre-the bloom of youth/to fly made the very best of a bad sent the songs in which Peter through the world." But Brahms job. Hamnond-Stroud though (and on one occasion Mageloue) is only really able to render the was disappointing. Expression was disappointing. Expression and intonation had been sacrificed to mere richness of vocal timbre. Admittedly there isn't much scope for nuance; but the songs came across as even more hecome horribly middle-aged. uniform than they are. And Ohviously the definess and lintonation was quite startlingly lightness of a Schumann were inadequate. Mr. Hammond-Stroud might have been practising Spreckstimme: the intervals rahms's late piano intermezzi? were regularly bent out of What Brahms does offer is shape; hardly a note (especially in the upper register) was true. construction of the Individual The evening was chiefly capfi songs. Many of them are drawn vating for its re-telting of The evening was chiefly capti-

Hammersmith, Odeon

Eric Clapton

which reached an early peak which reached an early peak enjoyable when you knew that hest guitarist around. Neither with the "Clapton is God" if Clapton had cared it could his voice nor his writing was graffiti of the late sixties and have heen very exciting. graffiti of the late sixties and have been very exciting. a later slump as he fought the later slump as he fought the roin addiction. Clapton has the rarely heen able to find the right songs to choose from Clapton has point between his guitar that settled for some mild the right that clapton is happiest now in virtuosity and the pressures of fame. Now he seems to have

to step back into the shadows aingalong, "Goodnight Irene."

Theatre Upstairs Seduced

Henry Hackamore in Sam Shepard's new play is a dramatic portrait of Howard Hinghes. He lies in a dentist's chair in the latest hotel room where he has gone for refuge from daylight and reality, constantly ready for another mid-night flit. White hair and heard, untrimmed for years, turn Ian McDiamld's face into

a head by Willam Blake, Uncut finger nails have grown into curved talons a couple of inches long. He wears only a pair of grubby white shorts. Raul, a long retained guard, massages him but does not wash him, and restores his wasted vigour with periodical transfusions of blood plasma. Ran) wears a revolver in a holster slung outside his flowered shirt. Hackamore.

feeling

approach of death, wants to live again. He sends for girls that he enjoyed in his livelier years and for the kit he wore as a flying man. The tension mounts through a fairly slim provision of events: the girls (Kate Fahy and Celia Imrie successfully encompassing their ungrateful requirement to look 15 years heyond their prime) modest striptease and tell their avid one-man audience

and has them removed. But all this is merely a long preparation for a final surprise, and little that takes place in the first .90 minutes of the play. however interesting, rates aa more than character drawing for the prolagonist. The nature of the aurprise it would be unfair of me to say, but I give nothing away if I say that as a theatrical moment it seems to me to rank

of the women, when the black

Eric Clapton is one of the and let other musicians like most perverse performers in Albert Lee take the vocal and Clapton from the start, when the rocks. In a 17-year career, guitar solos. The Hammersmith guitar came to symbolise rock concert on Friday was mildly

and Claptun was just about the settled for a safe mediocrity.

Of course Clapton can never like last Christmas. Then he hear covering the seen-it-all suddenly come alive again with face, Eric Clapton must find it his versions of J. J. Cale's hard to keep touring. The fact still throw off blues solos scracely matched outside the American south and he has an and assured as ever. He also instinctive feel for rock and managed an excellent encore, a to his credit and a reproach roll. Yet his current hard and fine American make for a happy audience, if not an ecstatic ooe, are greatly than the current hard and fine American make for a happy audience, if not an ecstatic one, are greatly than the current hard and fine American make for a happy audience. roll. Yet his current hand and fine American rock classic, to his contemporary greats repertoire hardly stretches his "Lawdy, Miss Claudie," a fine (McCartney apart) who prefer talent and too often he is eager British "Breathless," and a final to survive on faded memories. ANTONY THORNCROFT



Celia Imrie and Ian McDiarmid

Hackamore from the piercing rays of reality outside unexpectedly rolls hack to reveal Miss Fahy waiting upstage.

I was anxious most of the time to know what was going to happen next — perhaps too anxious. I felt after the conclusion had revealed itself, for here the play slips into a different a more conventional and Jess interesting pattern.
Most of all I was fascioated by
Ian McDiarmid's acting, so much entrusted to the play of it seems at first, is Peter Hartexpression on the face and in the voice (perhaps intractably

curtain that has protected young), shifting from arrogance to suspicion to concupiscence to plain senile dementia. As Raul, Larry Lamh is con-fined mostly to the dutiful anb-

servience of a strong underling to a stronger superior, nutil his part in the critical final scene turns him into a type familiar from half-a-dozen television dramas a week; but what he has to do he does neatly.

The director is Les Waters, and the designer, whose achievement is less modest than

B. A. YOUNG

CRICKET BY TREYOR BALLEY

The gap between club and county

formidable of the first class the bowling side does not counties, routed Scotland, new even bave to dismiss the oppocomers to the Benson and sition, as a succession of

After the 10-wicket victory with more than 20 overs to ment on the face of a very good spare, some Scottish officials club cricketer who had been were rather more disappointed drafted into the Essex team than they need have been, against Derhyshire on a green Whether the Scottish selection committee had provided their of uncharacteristic lives and manager, Brian Close, with the charmed outside and inside strongest squad available was edges, he managed to exist for left-armer, but be would need really immaterial. The impor- 45 minutes, which was no mean to improve his fielding if he tant pnint was that it gave feat. Scottish players the oppor On returning to the pavilion. tunity to compete against he apologised for not scoring stronger opposition, which can more runs. He could not do nothing but good.

membered that the strongest unaware that this was a de-England have played 20 games serve up more than once in a hut four of them. Middlesex, middle and also has time to in this competition and have complete season, and never on yet to win a single one. The a "green top" at Burton.

The played 20 games serve up more than once in a hut four of them. Middlesex, middle and also has time to surrey. Kent and Somerset, settle down after he has arrived. The possess the strength to carry when the need to analyze the need to be a surrey. match essentially emphasised the vast gap dividing county Midlanders' seam attack looked from club cricket. Midlanders' seam attack looked ordinary by Derby standards.

The club batsman receives a deliveries, which means he can even more against accurate under new skipper Bob Willis, make runs without having to spin to defensive fields. This and Yorkshire, while the

maidens is just as effective. I still remember the puzzle-

wicket. With the aid of a couple

understand why he had not re-With Hendrick, the present so it was not surprising that Northants, the Scottish hatsmen struggled rejuvenated

LAST WEEK, on an attractive score off good balls. To make had also been the case in their weakest, group C, includes the Glasgow ground, Derhyshire, matters more difficult for him previous match with Leicester-holders, Essex, who should be who certainly are not the most in himited-over cricket, the shire. The reason is that clinh through, despite their rather hatsmen are seldom happy against good slow howling, or shire. genuine pace, because they seldom encounter either. Although John Wright, the

New Zealander, has developed hamshire with their best chance into a most accomplished opener who would certainly command. a place in the present England XI, stroked his way to an effortless 80, I was impressed by Moir, a very tall Scottish slow was to represent a first-class

By the end of this week, two clubs from each of the four player going in first. They also zones will have moved in to provided four of the six After all, it should be re-ceived a half-volley completely the knock-out sectio not the centuries, nembered that the strongest unaware that this was a de-Benson and Hedges Cup. D is The two off the title. Of the other groups, the

hardest is B, containing

through, despite their rather surprising defeat by Gloucester-In Group A. Lancashire ought

to go into the quarter finals, while this also provides Notting of securing their first major honour since the war. There is no doubt that the

best place to make runs in limited overs cricket is as an opening bat. This was underlined when in all but one of the eight Benson and Hedges. Cup matches on Saturday, the highest individual score in an innings was recorded by a

The two main advantages of accomplished hatsman, he does not even then have to slog, Worcestershire, a simply to improvise, which Waiwickshire, explains why Amiss, Turner and Boycott have all been so very the successful in this form of game, TENNIS BY JOHN BARRETT

Clay courts keep the action

-fast and true and on schedule experts. for the first time in years-the main action for the next two weeks remains on clay.

At home, the Pernod circult week with the Masters play-offs at Bournemonth. With three wins already at

Teddington West Worthing and Lee-on-Solent, John Feaver of Dorset will try to stake bis claim to the number two singles spot for the first Davis Cup tie against Romanla in Bristol next month.

His chief rival, John Lloyd. who is still languishing in the Federation Cup, the Intercut-throat world of Grand Prix national . Tennis Federation's qualifying tournaments, will next week play in his first home tournament since the Benson and Hedges last November. He joins his brother David, Mark Cox, the new Davis Cup of Tokyo. trainer, and the former Wimble-don doubles champions from South Africa. Bob Hewitt and Frew McMillan, in the Langs of Scotland Champion-West ships in Glasgow. Today in Rome the U.S. No. 4.

Vitas

DESPITE the blazing start to defence of his second Italian again America and Australia are Barker defeating Cdaulia Casathe summer season which has title, hotly challenged by most brought the grass courts to life of the world's great clay court A notable absentee is the new

U.S. No. 1, John McEnroe, who currently heads the Vnivo Grand Prix points table ahead of comes to a chimax later this Jimmy Conners who beat him in the final of the WCT. Tournament of Champions in New York two weeks ago. McEnroe prefers the less

frenetic atmosphere of Manich in preparation for a major. assault on next week's French championships, the first Grand Slam meeting of the year.

Meanwhile at the heantiful Rot-Weiss club in Berlin the World Team championship for women, begins today. It is in its 18th year and is richly sponsored for the first of three years h ythe Nippon Electric Company

Not surprisingly, the Americans with eight wins (including the last four) and Anstralla with seven have dominated the competition since it will launched in London in 1963. The competition has grown in Gerulaitis starts the stature year by year and once.

cast as likely finalists. With the world's No. 1 and 2 if necessary.

women in their side-17-yearold Tracy Austin and Chris doubt that the U.S. will be strong favourites.

Britain's captain, Virginia Wade, is the omst experienced of all Federation Cup players. She has competed in 45 ties and

To the superstitious that fact augurs well. Britain reached the final that year but olst to the Americans.

To reach the same stage this time, Miss Wade, Sue Barker, who is not at her hest just now. with two losses against the American wonder girl Andrea Jacker, and Glynis Coles must overcome first Isreal, which should not be beyond them, and then Argentina, who will prove much more of a handful.

Significantly, their)eader Ivanna Madruga, heat Miss Wade last week in the quarter finals in Perugia and then lost her semi-final to Ruzici.

bianca, and winning the doubles

oFr all the players this period of the year is a huild-up to the Evert-Lloyd-there can be little French Open and then Wimbledon. It is significant that Miss Austin will return from Berlin to California to prepare on fast cement for a really serious attack on Wimbledon.

played 83 rubbers since she first came into the side in 1967, when the competition was last played

She has consent to mass the first French Open, as has Martina Navrativola, who will be awarded the World Champion Trophy at the International Tennis Federation dinner in Paris on June 2

Both players feel that the mental and physical strain of competing in Paris on the slow clay with the inevitably long railies would dull the edge of their Wimhledon challenge.

Mrs. Lloyd on the other hand needs the match play des-perately and will be defending her title in Paris. Beyond that lie two grass

court tournaments in Britainthe Crossley Carpets Tournament in Chichester beginning June 9 and the BMW Championships at Eastbourne the follow-British hopes will rest on Miss ing week

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Monday May 19 1980

Moscow courts the West

low ebb over the past five months. The following day, the Warsaw Pact nations launched "peace initiative" that included calls for a world peace conference, a European disarmment conference and East-West negotiations on lung-range "theatre" nuclear weapons in Europe. Both offers have been grected with scepifcism by Western Governments, many of whom had heen expecting just such a move from Moscow at around this time,

Nuclear missiles

The Warsaw Pact initiative is designed to serve several purpoaes. It is Intended to demonstrate that the Pact is a peace loving alliance NATO an aggressive one—it came just one day after the NATO countries had agreed on redoubled efforts to strengthen their de-Afghanistan invasion. It is meant to sow fresh doubts in the Allied countries about thus reducing Moscow's superiority in that sector by holding out the prospect that they may no longer he necessary. And it is part of the continuing Soviet campaign to spllt Western Europe from the U.S., and

imilar motives—and. Indeed, imilar motives—and Indeed, important to while the immediate American unbridled arms -reaction was to treat it with deep suspicion, Europeans, and not just those on the left, were Little, perhaps, can now be more inclined to see it as a achieved until after the U.S. possible basis for negotiation. Presidential election. In the More specifically, the timing of meantime, however, the West the proposal suggests that it must make it clear it is still had two main sbort-term pur- interested in further negoposes—to reassure wavering tlations — subject to two West European Olympic com- important provisos. Firstly, it mitees that it would be all right must be made quite clear to to go to Moscow, and to per- the Soviet Union that the aim which met in Islamabad at the not codification of Soviet weekend to moderate their superiority. Secondly, Western arlier condemnation of Soviet

THE WEST is now in posses- appears to be contingent on sion of two apparently beguil- their presence being rendered ing Soviet proposals for inter- unnecessary by the extinction national negotiations aimed at of all opposition to the Sovietgetting detente back on the backed regime. The negotia-On Wednesday of last tions proposed would involve week. Moscow's client regime in the recognition of that regime. Kabul made a slight improve. The notion of Iran as a party ment on earlier offers of a to the negotiations would be formula to resolve the Afgrani-laughable if the issues involved stan crisis that has plunged were not so serious. There is super-power relations to such a no guarantee of the inviolability low ebb over the past five of the most important border, that hetween Afghanistan and the Soviet Union. The Kremlin's aim seems to be first to establish respectability for the status quo and then to think about what to do next

The maln significance of the

Arms control -

Soviet move is that it shows that Moscow is feeling uncomfortable about its continued presence in Afghanistan. The Soviet leaders clearly underestimated both the extent of the outery that would follow the invasion, not only in the Wes but in the Third World, and the military difficulties it would encounter on the ground. There is no barm in the West probing to see if, behind all the smokescreena. Moscow is seriously interested in solution. But until that is clear there can be no relaxation of the West's efforts to put the Russians In the dock internationally and shore up the threatened countries of the generation of "theatre" nuclear surrounding region. Moscow missiles in Western Europe, must not be allowed to think that it may bave got away with At the same time, It would

not be inconsistent for the West to seek progress in the one major area in which there Europe from the U.S., and among itself, by playing oo the dove-hawk divisions in West arms control. The tension created by the Afghanistan makes it even more race. Ideally SALT 2 would by now be ratified and SALT 3 under way. the Islamic countries of such negotiations is balance. Governments, and particul the Europeans, must not be deluded by Eastern peace The offer as it stands is deluded by Eastern "peace clearly inadequate. The suggestion that Soviet troops might guard hefore such balance has ultimately be withdrawn been achieved.

Ohira loses a round

THE DEFEAT of the Ohlra has given them a stick with Government on a motion of no confidence in the Japanese Diet ship. last Friday probably shocked the Opposition parties as much as it did Mr. Ohira. Tha Liberal Democratic Party, of which Mr. Ohira ia President, has a small overall majority in the Lower House of the Diet (Parliament) and would easily have avoided defeat if all its members had been present. The fact that ahout 70 were absent during the crucial vote explains why the Government fell.

But that itself requires explanation. Why did Mr. Ohira's enemies in the party choose to push their campalen against him to the point of bringing down the Government? One answer seems to be that the anti-Ohira group had not originall yplanne dto boycort the Diel session and was only provoked into doing so by the premature summoning of the session while it was bargaining over the terms on which it would support the Government.

In:fighting

Another reason for what happened ca nbe found in the nature of the LDP. Formed in 1955 through the merger of two carlier conservative groupings. the party has never been much more than a loose coalition of the personal followings of a handful of powerful individuals, Alliances between the yarious leadership groups have traditionally determined who should be Premier, but sectional infighting between party bosses has also been endemic.

In the recent past, tensions in the LDP have increased sharply, with the group led by Mr. Ohira finding itself "under siege" by the anti-mainstream faction supporting ex-Premiers Takeo Fukuda and Takeo Miki. Mr. Miki and Mr. Fukuda dislike Mr. Ohira because of the way he came to power (by drawing on the financial support of another major faction leader, the disgraced former Prime Miniser, Kakuei Tanaka). They on major policy issues. But a which to beat the party leader

The immediate result of the Friday debacle will he disillusion of the Lower House and the calling of a General Elec-tion (timed for June 22 to coincide with a previously scheduled election for half the seats in the Upper House). The necessity of fighting an election less than a year after the last General Election, held in Octoher 1979, will strain the resources of all six Japanese political parties. On the other hand, it appears just possible that the rival factions of the LDP may now close ranks and fight a more effective election campaign than last year;

Bargaining

If the party does not recover its unity and loses its overall majority in the Lower House, an extremely complex position will result. There will be bargaining between individual LDP facuous and the small centre parties which stand just to the left of the ruling party. The centre parties could find themselves on the Government side of the House for the first time in 25 years, though only as memoers of what would probably prove to be an extremely shaky coali-

What does not seem likely however badly the Liberal Democrata fare, is the emergence of an Opposition coaltion headed by the Japan Socialist Party. The JSP lost seats at last year's election. It is probably even less-anxious than its rivals to fight an election now. in spite of the fact that it sponsored the no-confidence motion against the Government.

Whether the LDP survives its self-inflicted wounds. Japan's ability to play an active role in the world and tackle its own economic problems will be seriously impaired in the next few weeks. Mr. Ohira will, at best be a shadowy figure at the Venice Economic Summit do not differ widely from bim whose first session will colneide with polling day in Japan. At series of corruption scandals, worst, the country could be in Including one involving large for a prolonged period of scale gambling debts by one of Instability at a time when it ABOVE You might imagine to make a message clear and 10 copies of the Competition Mr. Ohira's political associates, hadly needs strong Government. I that he now has a licence in better read." Got that? It Act, which made the move pos-

to accommodate Moscow

Minister, Mr. Zulfikar Ali Bhutto, when hard pressed by nis opponents during bis last months in power in 1977 mada a hurried flight to Libya. There, through the good offices of offered the Russians translt from Afghanlstan through Baluchistan to a base un the Arabian Sea partly in the hope of gaining Russian support for his beleaguered regime. No documents exist to substantiate this offer of a warm water port. But circumstances make it likely as Mr. Bhutto's manoeuvrings at the time certainly embraced a reconciliation with Afghanistan and the atyle of diplomacy was very much in character with the

President Zia Ul-Haq's regime is categorical that it would strike no such hargain with the Russians. A good reasonf or believing this is that it would earn the bitter hoatlity of the Chinese and the Moslem world to whom Pakistan looks as its stauncheat allies in the wake stan. But the invasion and wbat is seen here as the West's acquiescence in it has put enormous pressure on General Zla to reach some accommodation

with the Russians.

They have repeatedly signalled—and did so most strongly conflict, can provide only limited and in the present circomstances.

They have repeatedly signalled—and did so most strongly conflict, can provide only limited and in the present circomstances. want him to rein in the operawho, among tha 700,000 refugees this side of the border,

giving it de soctor recognition. tinuing denunciations of their To drive home that the message is serious, the Russians have Thus on Friday Mr. Agba power. been increasing.

to lean closer to the Soviet political solution in Afghanistan Union it is largely because the and left open the possibility that bellet lo Islamabad is that the the committee might have con-U.S. Is unwilling to comit the tacts with the Babrak Karmal resources to challenge the Soviet regime. Until oow General Zla Union in South West Asia, has resisted such contacts as "Our impression." according to one official, " is that the U.S. is wrapping up in this region. It is no longer prepared to fullfi that view. its obligations as a super lo going this far to meet the power." From that perception Russians, General Zia hopes to flowed the regime's decision in discourage them from making March to reject the U.S. oer of mischief for bim by backing his \$400m in mililary and economic political opponeous or supportaid as being of a size that was provocative to Russia-and to Baluchistan or Sind. In return Zia bimself, whose confidence india as well- while not pro- he may be willing to impose a and tooth-filled grin seem to exviding the means to resist Soviet further restraining arm on the

The rejection-part of a history bungled relations between the insurgents who have no wish two states which have continu- to be sacrificed to the cause ofally failed to establish a base of mutual understanding—is re-regretted by many Pakistanl genearls who believe the country's natural ties are with the

THERE IS a widely held West. But it amounts to a but accommodation with the effectively displaced the two belief among Pakistan conscious decision to kep Soviet Union But it is one of General Faiz Ali Chisti and that he alternative appeal in in favour of opening a dialogue officials that the late Prime Pakistan out of the western the ironies of the present situs- General Mohammed Iqual — Pakistan is to a socialist semi- with Babrak Karmal's regime. If camp. A gain from this for which Pakistan is hoping is what one official calls " a softening of Soviet hostility" which bas continued since Pakistan left the long defunct CENTO Colonel Gadaffi, it is said he and the SEATO alliance that were originally designed to curh Soviet expansion.

It is also looking for more understanding from its other main adversary, India. Mrs. Gandhi initially feared a fresh arms bulld-up in Pakistan. Bnt of late she has tried to reassure Pakistan, not least in conversations with President Zia in Salishury and Belgrade, that it faces no military threat from the East and that there could he advantage to both sides in normalising relations.

Thus Pakistan is fumbling towards a position in which its security in effect reats on the goodwill of its neighbours, on the moral strength of neutrality and non-alignment, and on the support of the Moalem world now gathered in Islamabad. It has few resources to spare with which to enhance its own defence capability and there is little sign of the significant funds which once seemed promised from Moslem states like Saudi Arabia. China, whose most effective support in the past has been its ability to

the Afghan regime—that they ability to resist continuing Soviet pressure. In policy terms tions of the Afgban insurgents the belief that Pakistan cannot afford to confront the Russians is reflected in a shift of emphasis find in Pakistan a valuable from giving priority to the with-sanctuary. drawal of Soviet troops from They want bim to talk directly Afghanistan to recognising that to the Bahrak Karmal regime in practice the Russians will not Kabul which would amount to leave however strong the con-

demonstrationg their Sbahi Pakistan's Foreign Affairs
The number of viola- Adviser, proposed that the tions of Pakistani air space bave Islamic conference set up a committee of foreign ministers to if the Pakistaois fel the need explore the opportunities of a potentially legitimising the Afghan regime and many Moslem states continue to hold

> ing secessiooist movements io mood of despondency is General Afghan insurgeots—a move that would be strongly resisted by improving Pakistan/Soviet relations and have the numbers and the arms to resist such a settle-ment with force. Many Pakistanis see no option

tion that such an attempt at most likely to displace him. diplomatic tightrope walking. He has been enormous which has its roots in the helped by the emergence of Bhutto years, should be made Pakistan from its isolation that under a military regime whose came with the Russian invasion are profundly anti-Russian and out provoking resistance from go with it.

the armed forces:

But once that has been said.

The drawback is that though it still remains that he cannot

He has been enormously

The pressures on Pakistan

BY DAVID HOUSEGO IN ISLAMABAD

instincts, traditions and training and the stature that comes from moving among other heads of anti-Indian. It may be that a state. He has allowed the army civilian administration could to share all his enjoyment of not have got away with it with- power and the privileges that

the army is the one institution afford to test the legitimacy of law had been the intention of

capitalise on, demonstrating American and in foreign polles Marxist ideology.

General Zia bas cast his net among the more traditional power bases of the country—the village landowners, the Mullahs or local priests, the traders of the towns and the military. These have ben the backbone

of previous martial law regimes but General Zia has gone beyond them in his policy of Islamicisation declaring that an Islamic state based on Islamic

the West can resume detente with the Russians, she asks, why cannot Pakistan with its neighbour Afghanistan?

Whether she continues to lead the party or somebody else takes the reins, the Marxist alternative remains as potentially appealing in Pakistan as It does in Iran—where the Mujahedin offer an Islamic socialist alternative to Ayatollah Khomeini.

The alleviating factor for General Zia is that ofter the vir-tual collapse of the economy towards the end of Mr. Bhutto's towards the end of sar. Equators years—as a result of satural calamities and distastrous policies—both agricultural and industrial output have since picked up. Gross Domestic Product has grown at an annual 6 per cent during the last three years and this year there is likely to be a record wheat and cotton crop. Some of this is due to the luck of good harvets, but the Administration has also been attemptingto push the economy in the right direction—raising prices tu stimulate production and removing some of the subsi-dies that have encouraged a misuse of resources. The economy has also benefited from a hig inward flow in remittances of \$1 fibn a year—almost as much as from total exports—from Pakistani workers abroad.

Private investment in new industrial activities remains insignificant, though there are now signa that some new projects will go ahead. State sector investment shows little increase in real terms because the Government has been trying to hold down the hudget deficit to the present 84 per cent of GNP. Subsidies absorb a large proportion of state revenues and additional expenditures on defence and supporting the Afghan refugees have imposed a further

The severe restraints on the economy created by the budget deficit have been exactrbated by a running balance of payments crists. In autumn last year Pakistan's foreign exchange reserves fell so low that there seemed a real threat of its dethe bat into the ring is Mr. Bhutto's daughter Benazir, recently out of prison, who staked the oppositon case before the potentially bostile audience of the Karachi Bar Association Saudis have boosted reserves to 10 days ago and got a warm



in Pakistan with the authority his regime by a popular vote the founders of Pakistan, to determine policy, the direction (as Ayatollah Khomeini bas Initially General Zia's Islamle tion it gives is distrusted both because of the unpopularity of successive martial law regimes

and because it is tainted with

responsibility for the breakup of Pakistan ln 1971. Anybody travelling through Pakistan's four provinces cannot but he struck at how unhapy the country is, despairing of its failure to find any lasting solution to the problem of transferring power from military men to civilians of regional allegiances asserted with increasing force which strain the unity and ideology of Pakistan; of the unexe of the emotional and politically con-scious people who miss the excitement of polltical life; and, ultimately, of doubts about what has been achieved during 32

years of independence. A striking exception to this pand with every month in

done lo Iran's new Islamic republic) because in a free election the regime would undoubtedly he thrown out and with a vindictiveness that could tear the country apart. He need the controls of martial law to remain in power, though at times he can afford to relax them. But between the leadership and the street a wide gulf remains where discontent perio-

General Zla has effectively cut the ground from under the established political leaders by involving them in so many compolitical credibility.

1968 which then overthrew President Ayub Khan, This lies in the urban and rural poor, the power. He bas continually defied half educated and unemployed the predictions of countless whose numbers continue to Pakistanis, diplomats and report grow in a country of 81m. where He has just completed a remark- a year and in which per capita

policies were only timidly challenged :because in a Moslem country it is difficult to oppose which swept Bhutto out of power did so in the name of Islam. But they have been more forcefully contested of late as Pakistan was founded as an

The latest challenger to throw dically bubbles to the surface the bat into the ring Is Mr. and the risk of an explosion never seems far away. promises as to destroy their 10 days ago and got a warm about \$800m, reception. She claimed that the Pakistan is

Islamic sttae.

Pakistan's first president and founder, she claimed he had

Pakistan is desperately seck-What he has not been able distorted the ideology of Pakis to do is to remove that base tan to benefit it themselves but from which Mr. Bhutto first bad "hetrayed the masses."

Tanisian is desperately secking debt relief of ahout \$230m a year from western donor nations which would ease its recruited his mass movement in Citing Mohammad Ali Jinnah, benig opposed by the U.S. which intended a state that would be rescheduling including acceptntended a state that would be secular, socialist and federal." ance of an IMF package. Whatever ments this opposition It is a definition that attempts might bave in U.S. Treasury ters — myself included — who the population continues to to regain for the People's Party terms, it chimes oddly with the bad doubted that he could last, increase at a befty 3 per cent that she has in effect inherited U.S.'s earlier offer of \$400m of from her father its revolution: "aid and with the overall U.S. able reshuffle of bis fellow income is only \$200. It was their ary image, appealing to the strategic concern to strengthen generals which has put him grievances that Mr. Bhutto was same mass base as he once did. South West Asia against possible firmly on top of the pack and abel to articulate and then to By implication it is anti-

MEN AND

Sailing back to Thatcherisation

Speculation is rife amung Britons in New York about the intentions of Gordon Booth, who set off for London at the weekend after a five-year stint in the twin functions of Consul-Geogral in New York and Director-General of Trade Development in the USA. Just what exalted position in industry awaits him —after some well-earned leave— Booth declines to say, admitting only that he has something lined up "in international business." Offers of this type have not been thin on the ground during his years in New York, be confides.

Booth's main claim to fame is that he helped teach New, York to love Concorde-" with a little help from the courts—they don't sing 'we love Concorde' in the streets every day." Booth says modestly. But he is no doubt right in claiming that New York'a position as a gateway to the nation has been reinforced by Britain's expensive white bird and its twice daily cargo of 100 tycoons pouring off ready to do husiness.

Describing himself as "a volunteer to be Thatcherised." Booth is leaving the Civil Service two years ahead of the retiring age of 60. Are decided to hoard the QE II home in preference to one of the Concordes he championed—feeling that three hours 10 minutes represented an indecently speedy Thatcherisation.

Boxing clever I realise that making fun of the driving licence computer at Swansea is a trifle passé, possibly—like Irish jokes—even said: "We can assure you that non-U But for old time's sake the recent reporting image that I will mention the experience brought Saudi Arabia to the of a friend who carefully filled surface of the world news in in his name and address in the no way affects the decisions little boxes at the top of his of the decision makers in Saudi



"Don't worry, Smith. Som times poor arithmetic works out all right in the end."

the name of As Above. Not at Computers are not daft. They know no one is called "A." The liceoce was return to Mr. Asa Bove.

Biscuit crumbs

Not content with represent-ing "95 per cent of British biscuits and packaged cake manufacturers, the Cake and Biscuit Alliance is clearly making a bid for an even more central role in world affairs. A message on my desk informs me that members of the Cake and iBscuit Alllance have been given a clear indication that the Sandis bave got over the upset caused by the television film "Death of a Princess." That indication came at the alliance's annual conference in Bournemouth, where one Sheik Wahibsaid Binzagr said: "We can assure you that Friday found that the man in

was apparently approved "at the highest level" in Saudi

Blowing the gaff? The reputation of New York's labour unions, or at least that of their leaders, does not

Douglas LaChance leader of the Newspaper Deliverymen's Union, is the latest figure to he dragged unwillingly into the limelight, having just been convicted of no ess than 124 counts of racketeering, bribery, tax evasion and other sundry felonles Technically be could qualify for a total of 2.480

The LaCchance ese hs, para doxically heen something of a a tonic to publishers in tha New York area, who for years, bave darkly complained that there is still one area of New York commerce where is it not uncommon to be caught between organised crime and unscrupulous labour organisers.

This view was given some credence at the LaChance hearings, the centreplece of which was a taped conversation between the union boss and one Peter Dipalermo, described by the prosecution as 'a convicted hoodlum." On the tape(LaChange appeared to be discussing payoffa received for to bava little energy left for

Low voltage The distinctly un-British good weather, and resultant lethargy, seem to be seeping into every corner of the national life. A reader queuing up at Her Majesty's Stationery. Office on front of him was from the Central Electricity Generating Board. It appears that a mere four days after the Government's decision to refer the next driving licence form, then, Arabia. But sometimes some round of electricity price in-

sible. No doubt the relevant paragraphs helped to cool down the wekend for the CEGB's 10

Linear stocks Land, most people would agree

ls a sound investment: as Mark Twain once remarked, they stonped making it. But curiously, British Rail is facing some steep uphill gradients trying to dispose of its 1,485 remaining miles of redundant

"Most of it." says a BR spokesman, "is in country areas in relatively short strips. We'll never sell all of it—we're hound to be left with a hard core." Ownership of old railway line frequently involves main-taining fences, tunnela, bridges even viadnets (some of them fisted). Moreover, the building of the railways in the first place disturbed whatever drainage existed. So owning a piece of railway line also means nwning an intricate system of drains which needs to be cleaned out from time to time if the neigh bouring landowners are to be

kept bappy. Curiously, these minus points were all volunteered to me by British Rail itself. Caught in a fever of rail travel promotion which has incited the nation to hover round Persil packets like waspa round jam, BR appears a delivery deal on El Diario, a marketing these last relices of Spanish language newspaper.

Beechingisation. They are changing hands at ludricrous prices. Bolton Council, for instance, has just bought 24 miles of line for £1-Boltonians will be able to look forward to one of those now-familiar linear walks.

Silent witness

Not to be outdone by the Japanese, the Andorrans have, I am told, designed their own video recorder. Its main feature: "Records the programmes you don't like—plays them back while you're out".

Observer

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FINANCIAL TIMES SURVEY

Monday May 19 1980

WORLD BANKING

PART ONE: PART TWO WILL APPEAR ON TUESDAY MAY 27

With so many problems revolving around their heads it is iust as well that the world's banking leaders have over the years developed a number of sophisticated mechanisms for dealing with such difficulties. This year has already given warnings of severe tests ahead.

Shocks from all corners

By Michael Lafferty

THE PAST year has brought more than its fair share of shocks to the international hanking system. The nightmare of a massive country default has frequently seemed more than a possibility as the Iranian crisis has gone from bad to worse in the wake of the seizure of the U.S. bostages, and President Carter's Iranian assets freeze in the U.S. The freeze bas had an impact far beyond the U.S., and not least in London, where some \$3bn of frozen funds is deposited with U.S. hank branches. While all this has been developing the Russian invasion of Afghanistan added further uncertainty, and banks were forced to reconsider their exposure to Comecon

To cap it all, rumours of impending bank collapses bave been around for several months. Then came the legal ections. These have been fuelled by First, Iran initiated action in doubts about the extent

in prices, and by the possibility Chemical Bank scared the wits that some hanks may have been out of British hanks by seeking caught out by the large fluctuations in currency parities and would have prevented the commodity prices. A touch of movement of any Iranian funds reality was added last within the British hanking month when the First Pennsylvssem. The injunction was vania Bank had to be rescued never used in this way, had and the Bunker Hunts came unstuck in the silver market.

during which depositors quened no last month for hours outside bank branches to withdraw their deposits has been part of the overall picture. If has served to demonstrate what á fragile creature confidence can be, and how important hasic central bank supervision is. The fact that a number of U.S. and European banks were caught out with loans to Banco de Intercambio Regional (BIR) despite long-standing rumours in Argentina about its standing seems to confirm bow little many banks still know about each other, and more importantly, about bow to gather and interpret the information re-

The Iranian affair has often been bigbly confusing, In the immediate aftermath of the U.S. freeze it ws not clear whether Iran bad defaulted on certain loan ohligations, or bad simply been prevented from paying np by the U.S. action. Certainly a number of bankers in London bave been critical of what they regard as precipitate action by Chase Manhattan to declare Iran's \$500m syndicated loan in

quired to evaluate risks.

default. of the British courts to bave funds in the wake of a major collapse in London unfrozen;

an injunction which effectively British hanks remain worried that some U.S. hank whose In his own small way the loans to Iran are not covered recent crisis of confidence in by frozen deposits may yet seek the Argentinian hanking systo improve its position through

should Britain ever implement its own Iranian assets freeze. The prospect of this happen-ing has long worried the Iranians. They first sought to take action just hefore Christ-mas last year, by asking that clearing banks should he repaid immediately. After hurried discussions with the Bank of England the clearers united on a policy that contract should he bonoured on all sides. The deposits were not unwound, and that particular crisis passed. Everything seeming to be on the mend until April, when it would be asking EEC countries to take supportive action in another effort to bring about the release of the hostages.

The Iranian banking anthorities saw this coming and desperately sought ways of shifting \$45n of unfrozen deposits out of the EEC area. But they were soon to realise that little could be done, Apart from the fact that banks were unscramble term apparent that there were few streadle banks outside the U.S. new Iranian deposits. This, in not necessary to write off any

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The rationale that a country

like Iran cannot really go bust

hits particular difficulties when it is applied to a country in

the Eastern European Com-munist bloc. After Afghanistan,

bankers have become concerned

that in certain circumstances the Soviet Union could actually use

a default by a Comecon mem-

many bankers had been looking

at Comecon as a total risk and

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turn, led to rumours, now loans at all. Auditors must be largely discounted, that Iran agreeing, for there have few bad placed substantial sums on qualified audit reports on this deposit with Eastern European banks. What is clear is that it has been using the Libyan and Algerian central banks as a conduit to place further funds from its oil exports in the Euro-

Despite all that bas happened reinctant, to say the least, to in Iran, many Western bankers deposit still retain considerable conarrangements it soon became fidence that everything will apparent that there were few eventually come right. They point to the country's oil wealth and EEC areas capable or and basic soundnes, and prob-willing to take on substantial ably some conclude that it is ingly, there now seems to he a tendency to look at the riskiness of individual Comecon

In this context the highly exposed position of Poland, which has a debt service requirement this year alone of \$8bn -amounting to 70 per cent of the country's hard currency income—has come in for par-ticular scrutiny. Adding to hanks' difficulties is the very low quality of the information provided by the Polish Govern-ment. It is probably true to say that no company seeking a loan would dream of going to its hankers with such poor

While Iran and Afghanistan have rendered sbocks to the system the commercial and central banks of the world bave been worrying about the massive re-cycling joh which remains to be undertaken after the last round of OPEC oil price rises. This year responsi-bility for doing the job rests entirely on the banks. Despite the massive dimensions of the OPEC surplus — estimated at \$115bn on current account, against \$60bn last year—there seems to be growing agreement manage this year. But many leading bankers doubt whether the same can be true in the coming two years. Quite simply. banks need to maintain some limit on the ratio of deposits or assets to their capital, and in many cases they are required to do so. They are also affected

by liquidity requirements. ber as an economic weapon against the West. Whereas So much discussion now centres on whether ways can be found to channel OPEC borrowers. One unlikely possi-

bility suggested by the OECD would be bond issues by developing countries. Like good investors, the oil-rich nations would prefer to rely on Western banks they regard as sound risks, rather than go direct to country borrowers. The chances are that they will have to

There have been many calls for the International Monetary Fund to take on a large role, and assist in the recycling process. To do this it will needs to increase both its gunding and lending. A 50 per cent increase in quotas seems to be on the way. After the recent IMF interim committee meeting it emerged that the Fund is now actively seeking new resources as a means of tapping the oil wealth of Opec.

Commercial banks now find themselves subjected to almost opposite pressurse in the Euromarkets. On the one band they hear the view — and often ex-pres sit themselves — that if they are to do all they can for recycling they must be free of all controls. In practice, this seems' to mean that banks should be allowed to undertake avst risks in relation to their own resources. On the other hand, the BIS statement of April emphasised the risks inherent in international banking. It said the BIS would step up its own monitoring of the Euromarkets, and it drew attention to the need for national authorities to supervise their own banks' in-

more attention focussed on international bank supervision, the central banks of the worl dhave come to the extraordinary information which dearth of

launched a campaign for consolidated accounts - surely the ments. They have also enconraged the International Accounting Standards Committee, the London-based hody which issues recommendations on interna tional accounting standards, to develop a discussion paper on hank accounts. Before this could be issued some central banks got cold feet. They were up against the fact that accounts whic heontained secrereserves - and most bank accounts outside the U.S. have these — were misleading. hTe document was finally lisbed" a few months ago, hut little bas been heard of it. The

have distributed it is not known It is a curious anomaly that institutions which depend so much on useful information about other entities financial publish much that has at best limited use. The issue came into focus recently when banks from all over the world bambarded the U.S. Fed with objectiona to its proposals for the disclosure o fbasic accounting information by foreign bank holding companies. The principal point made by numerous objectors was that the Fed bad no business regulating banks which were already adequately regulated notional supervisory authorities.

number of central banks which

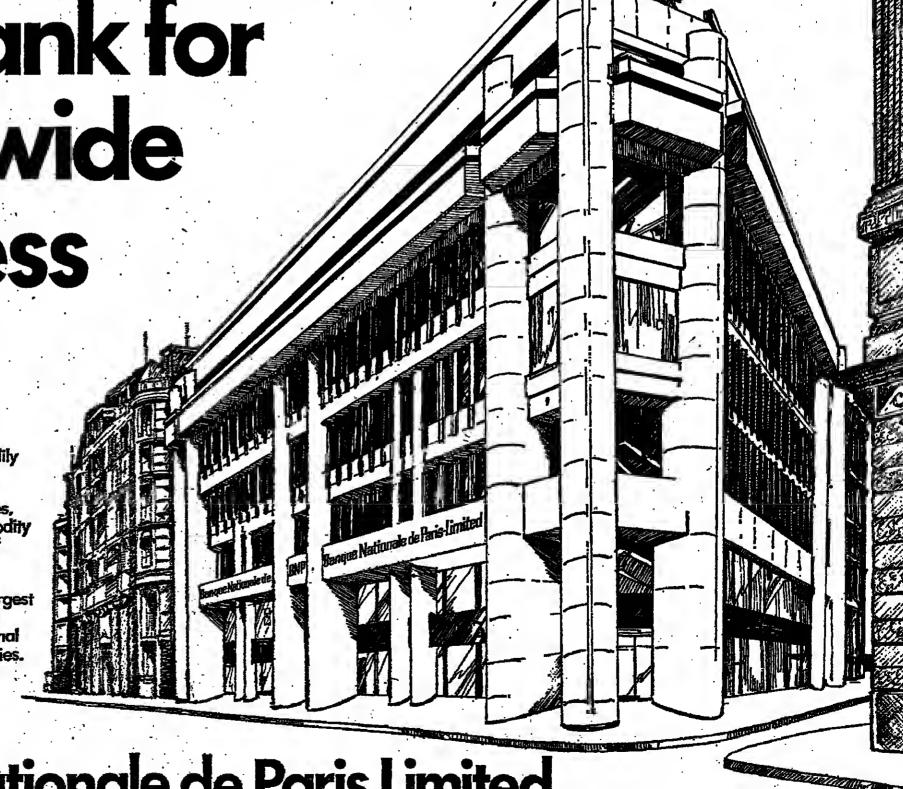
Just bow well equipped some of these national supervisory agencles are to do their job properly is not clear. Judgin gfrom some of the submissions to the Fed. they do not bave much account ing information to go on.

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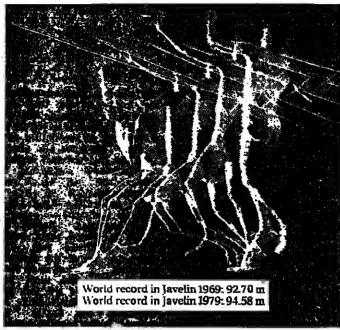
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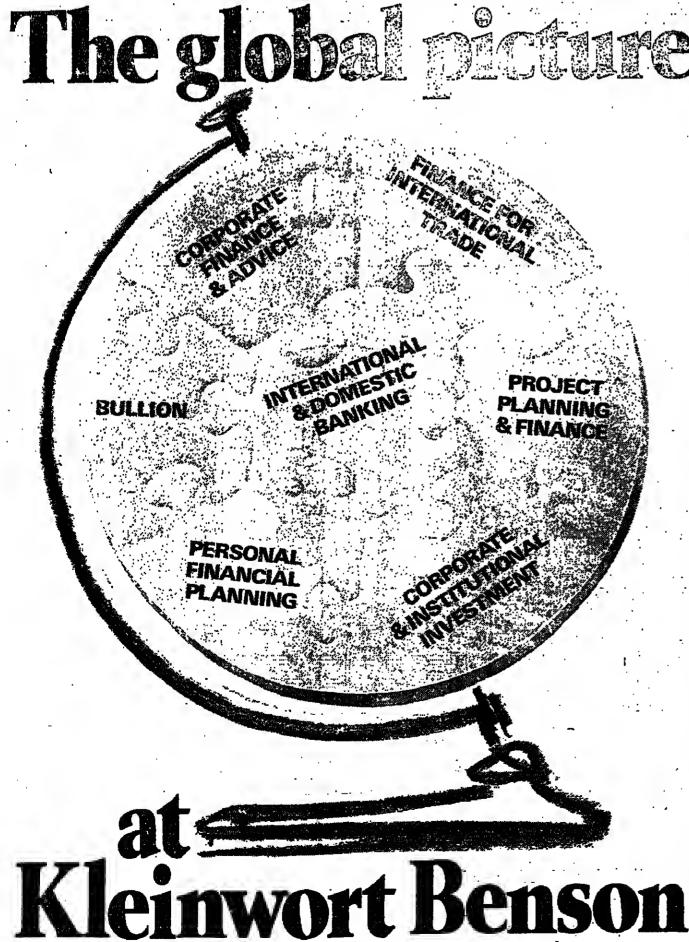
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WORLD BANKING II

The Economic Background

The task of recycling

RESPONSIBILITY for re-cycling OPEC oil surpluses this year is back fairly and squarely io the bands of the banks. The world's leading finance

ministers and central bank governors, meeting in Ham-burg in the DMF Interim Committee were clearly agreed that recycling is the most press-ing problem for the international monetary system. But there were no signs of any speedy initiative on the part of the Fund to alleviate the strain.

The IMF is not, at the moment, short of lending reonrces. It was a net borrower from member countries last year, and still has some \$25bn avallable for lending.

The problem, as far as its neediest members are con-cerned is that they consider the conditions on which these funds are lent too onerous. As long as possible these countries prefer to satisfy their needs through the banking system.
This is scant comfort for the banks themselves, which are

increasingly prone to doubt their own ahility to manage the recycling process on the recuired-scale. They feel the task is being made all the more difficult by growing calls for better control of the Europearkets, which can only lead to more restrictive lending prac-The dimensions of the prob

lem remain enormous. The IMF estimates that the OPEC countries will have a payments surplus on current account his year of some \$115bn compared with about \$60bn last year, and a near balance in 1977.

Against this the industrialised

OPEC SURPLUSES

PETER MONTAGNON

deficit of \$48bn this year and international banking system the developing countries one of with the same effect on ratios.

Such a worsening of the world's payments imbalance it adds. coincides with a concerted drive Amer by central banks for increased "transparency" in inter-national credit markets, coupled with improved supervisory tech-niques to keep the hanking system healthy. A statement in April from the Bank for Inter-national Settlements (BIS) was

a landmark in this respect.
The BIS spoke of the increasing risks inherent in international banking. It said it would step up its own monitor-ing of the euromarkets and it drew attention to the need for national authorities to supervise their own hanks' international husinesa more closely.

This raises the question of bank liquidity and capital adequacy. In its latest review of the syndicated lending market, for example, Amex Bank notes that there is a distinct prospect of a deterioration in the auticular of IT. tion in the capital ratios of U.S.

The bank says capital ratios would deteriorate if domestic deposits rise as the U.S. recession encourages clients to keep more funds in liquid form. At the same time the growing OPEC surplus will countries are likely to show a raise the level of deposits in the

Capital allequacy could deteriorate further if loan losses arise,

Amex Bank also suggests that the ratio of international loans to total lending of U.S. banks has now in some cases gone well above 50 per cent. Given the rising awareness of the dangers of risk concentration and the low profitability of international business there is an increasing desire to slow down this grow. desire to slow down this grow-ing internationalisation of loan portfolios, it says.

Restraint also looms for banks in other parts of the world.

It is thus easy to understand why banks are sceptical of their ability to shoulder again the hurden of recycling. For many the answer to this question depends on how deep the ideas for control set out in the BIS communique will actually bite.

Margins

Curiously enough all this is happening at a time when the margins above London interbank rates are still very narrow i ninternational lending business. A top-rated international borrower such as Belgium can still command a margin of ? per cent rising late to i per cent for a seven-year loan, while Brazil's latest borrowing contains a 10-year element at such a split margin of 1 and later 11 per

confused by high interest rates and the volatility of the syndicated credit market after the U.S. freeze of Iranian assets and the Soviet invasion of Afghanistan, bave been bolding

back from the market. But there are some fundamental considerations keeping spreads down. One is the liquidity in the market as banks take in a growing volume of deposits from OPEC countries. ing countries managed last year to increase their reserves by borrowing to cover future

requirements. This means that they are belter able to cope with financing their payments deficits this year without resorting to large-scale new borrow-

That has taken some of the urgency out of the recycling problem. It means that the IMF is probably right when it suggests that the banks can cope this year; that does not mean, however, that the same is true for 1981 and 1982.

Next year for example the IMF expects the current account surplus of OPEC countries to fall to \$87bn and the deficit of indus-trialised countries to drop sharply to \$17bn. But the deficit of the developing countries, which canses the most concern, will rise to about \$78bn.

This will inevitably place a strain on the banks, even if they have managed to bear the brun

From their point of view one of the most suitable solutions would be to seek to assist the recycling process through business that by-passes balance sheets. Thus the OECD has suggested that scope remains for bond issues by developing

countries.
In view of the collapse of internaional bond markets in the first three months of this year the argument hardly seems convincing. But it is worth not-ing that a number of developing countries, including Brazil and Mexico, did float bond issues at times when the market were more favourable.

An extension of this approach would be for banks to arrange private placements for borrower countries to be sold directly to OPEC investors. This was done recently by Denmark which raised DM S0m through Westdeutsche Landesbank. The loan was placed exclusively with a single OPEC address.

Such a process need not even involve a bank. The West German Government has already this year raised several billion D-marks through the sale of promisory notes to Saudi Arabia, a move which was followed by the sale to the same country of Y50bn in national bonds by the Another is that many develop- Bank of Japan.,

the top

New men at

THERE ARE several reasons why 1980 will go down in the annals as a memorable year for the Bank for International Settlements (BIS), the secrecyshronded central bankers' bank in Basle that serves as the world's monetary watchdog.

The most public sign will be the festivities next month to commemorate the 50th anni-versary of the bank's foundation —a half-century during which the BIS has become a unique forum for international economic co-operation. Basic will not exactly be set alight. But central hankers from all around the world will be celebrating the occasion with a fair degree of papache.

Second, this year—or possibly early 1981—will see the retirement of Mr. Rene Larre, the 65-year-old former French Treasury official who has served for nine years as general manager in charge of the hank's day-to-day running at its sumptuous headquarters near the Basle railway station. His denarture may not make much difference to the public face of the hank. But the retirement of M. Larre—a man who gave stalwart service to Gen. de Gaulle and who made no secret of his distaste for the hreak-up of the cold-haaed fixed exchange rate system at the beginning of the 1970s—certainly marks the end of an era in which the BIS has adapted itself to generalised floating of exchange rates and the phasing ont of the formal monetary rola of gold.

Promotions

The third and most important change affecting the BIS also concerns a switch of personalities—but goes far beyond the confines of the bank's Basle HQ. It involves a far-reaching series of retirements and promotions among the governors of the world's top central banks who sit on the main board of the BIS and who travel regularly to Basle for the central bankers' monthly discussions. The composition of the group has under-gone a comprehensive change over the last nine months or so; there are new men at the helm of six of the 11 central banks in the industrialised world's power club, the Group of Ten and Switzerland.

A number of familiar faces have said their goodbyes, and new ones many of them a lot younger—have arisen to take their place. Several of tha governors who bave just retired, including Dr. Otmar Emminger of the West German Bundes-bank, M. Bernard Clappler of the Banque de France and Sig. Paolo Baffi of the Banca d'Italia, have given sterling service to international monetary affairs over a period stretching back to World War IL But there is no mistaking that their replacements, for the most part, also embrace a remarkably internationalist outlook — and many Fritz Leutwiler, the president of them also are men of greater of the Swiss National Bank.

pragmatism and diplomacy His outlook is much more whose talents are badly needed internationalist than that of Mr. in helping to steer the world economy through a particularly trying period.

BANK FOR INTERNATIONAL SETTLEMENTS

significant replacement has been that of Mr. Paul Volcker for Mr. William Miller as chairman of the Washington Federal Reserve Board. Mr. Volcker, who has a long track record in private banking, at the U.S. Treasury and, in the past few year, as president of the New York Federal Reserve, has long been a familiar and confidenceinspiring figure for the rest of the central banking circuit.

The move of Mr. Miller to become Treasury Secretary in President Carter's Cahinet shake-up last July was not regretted. Several central bankers had complained that Mr. Miller introduced a rather jar-ring air of hrusqueness into the cosy confines of the Basla "gentleman'a club."

Another important new face

at the governors' monthly consultations has been that of Herr Karl Otto Joebl, the new head of the Bundesbank, who took of the Bundesbank, who took over from Dr. Emminger at the end of last year. Like Mr. Volcker, he is a lot younger than most of his central hanking colleagues (the two men are aged 52 and 50 respectively). They also share a common experience of the wider world of politics; Mr. Volcker and Herr Poehl were opposite No. 2s at the American and German Finance Ministries during the currency cirsis days of early 1973, and became well acquinted 1973, and became well acquinted during this period.

Herr Poehl's first few months at the belm of the Bundesbank, in which it has twice raised discount rate tand taken a range of other unpopular credit tightening decisions, appear to confirm that be will be no less steadfast than Dr. Emminger in carrying out the central bank's traditional hard money policies. But be combines the commit-ment to fighting Inflation with a seose of humour and an air of relaxed pragmatism which marks him out from the sometimes peppery Dr. Emminger.

The third major new arrival in the governor's group is Mr. Haruo Maekawa, the new governor of the Bank of Japan, who took over this year from Mr. Telichiro Morinaga. Mr. Maekawa became well known to many of his fellow governors in his former capacity as deputy governor, and enjoys a particularly close friendship with Dr. Morinaga (unlike his prehe speaks

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OCEANIA:

هكذامن الدُصل

Bright spot in Community scene

HE EUROPEAN Monetary gences in inflation rates and sistem (EMS) has so far conounded most of the sceptics. It has worked rather well in the filled the initial goal of the. creation of a zone of greater corrency stability. Indeed EMS has been one of the few bright spots in an otherwise gloomy EEC political and economic

Yet this success has been modest by comparison with the radical plans proposed at the Bremen and Brussels heads of government summits in 1978. Major questions about the future development of EMS, especially the establishment of a fullyfiedged European Monetary Fund, remain unresolved.

The system as it eventually started in mid-March last year involved the linkage within specified margins of each other of all participating currencies (those of all EEC countries apart from the UK). The movements have been restricted to 21 per cent with the exception of the Italian lira, which has been allowed a 6 per cent

Subsequently there have been only two realignments - the first, and major, was in late September when the German Deutsche Mark was revalued by 2 per cent against the other participants and the Danish krone was devalued by 3 per cent. The second, and minor change was in early December when the krone was again devalued, this time by 5 per

Collapse

This was the smallest movement for eight years according to a European Commission report produced last March on the first anniversary of EMS. It noted that "intracommunity exchange rates were more stable than in any year since 1972" — that was when the Bretton Woods fixed rate system finally collapsed and the old currency "snake" started. Participants' exchange rates compared with the European Currency Unit showed an aver-

current accounts of the mid-1970s had largely been completed by 1978. So a gerater face of a strong resurgence of economic convergence, especi-inflation and has largely ful-ally among the key participants, provided a favourable background for EMS.

> This convergence has not, bowever, been in the direction originally desired by the architects of EMS. This is because the renewed surge of inflation from lete 1978 onwards

— intensified, though not created, by rising oil prices—has occurred in all EEC countries, not just those with existing high inflation rates. Indeed, thhe relative ecceleration in infiation has been greatest in previously low inflation coun-tries like West Germany and the Netherlands.

The ebsence of major dis-turbances despite external economic and political problems probably does, however, owe something to the acceptance by participating countries especially by their central - of a common approach. This means not only that the banks have bad to co-ordinate their intervention policies in foreign exchange markets more closely than in the past but also that monetary policies have also followed each other more closely than in the past. This bas in practice meant that participants bave had to take their lead from West Germany in applying a tough monetary policy — in what Mr. Gordon Richardson, the Governor of the Bank of England, has aptly described as competitive non-depreciation."

been the main source of pressure within the EMS so far. Within three months of the start of the system there were complaints by the Belgians that West Germany's desire to hold the. D-mark against the dolar was pushing the Belgian franc down to its lowest permitted leval within the system, requiring large-scale interven-

snake-but for the oil crisis and the renewed pressure on the

devaluetion the parities have

pressures have been slightly different this year in viaw of the growth-and widespread discussion-of the West German current account deficit and the recovery of the dollar. Nevertheless, the Bundesbank bas sought to hold up the D-mark in order to attract capital inflows and tn fight inflation.

some countries, notably Bel-Helmut Schmidt and Mrs. ing to other currencies in gium, interest rates are now Thatcher in early March the system which would involve very high in real (inflation- issue was re-examined in Lon- system which could involve Monetary Fund, full use of the next stage—whether the existing adjusted) terms because of the don, but in a low key. The large intervention obligations European Currency Unit as a arrangements should in effect be

EUROPEAN MONETARY SYSTEM

PETER RIDDELL

INTERNATIONAL MONETARY FUND

DAVID TONGE

need to maintain exchange rate question is back on the agenda, stability.

ability. but no more than that. This
The question of sterling's is essentially because domestic The consequent high, and involvement in the exchange monetary factors remain of two years after the start of tha rising, interest rates in West rate mechanism remains un prime importance within the scheme." rising, interest rates in West rate mechanism remains unprime importance within the scheme." After the delayed Germany bave forced similar resolved. Following talks UK. The British Government start this meant March 1981 moves throughout the EEC. In between the German Chancellor has been reluctant to link steriand, according to the resolu-

icopardise those monetary objectives.

But EMS was intended by its architects to be much more than an exchanga rate machanism. So far the plans for further development of the system have made little progress. Under the terms of the decision of the December 1978 summit the come to an end "not later than

Community as well as at the

هكذامنالأجل

national level." To other countries' surprise the Belgians raised the subject the Dublin summit last December. This led to a reexamination of the issues by officials from all EEC countries. (This includes the UK, which is fully involved in these discussions even though sterling is not linked to the other currencies.) These discussions did not achieve much epart from showing to other currencies in a tion, the next stage would ing that major uncertainties system which would involve entail creation of a European remain about the form of the

and capital flows which would reserve asset—all based on continued with the existing "adequate legislation at the European Monetary Co-operation Fund being renamed.

> The alternetive is the establishmant of a Europeen Central Bank with widespread control over monetary policy and polling of reserves with the European Currency Unit developed as a real alternative to the dollar. This raises wide-ranging questions sovereigoty, the role of gold and e multi-currency reserve system. The question has in practice been deferred as Chancellor Schmidt and France's President Giscard d'Estaing have decided to wait and leave a decision

System faces mounting challenge

OVER A year ago, whan tha dollar was weak and seemed to require help in shouldering its burden as a reserve currency. International Monetary Fund (IMF) began work on a scheme to allow dollars to be substituted by the Fund's own special drawing rights. That scheme has now been put on the back hurner as tha dollar appears stronger. Instead tha problem of recycling capital surpluses to the countries that need them. And that is a prob-lem which sems less likely to

go away. The Fund's own forecasts are Dollar/D-mark relations have gloomy. Its board of directors is not only anxious ebout the outlk for inflation and the stagnetion of the economies of tha industrialised countries. It is also disturbed about whether the monetary system in general and the commercial banks in particular will be able to keep the system working and handle the huge predicted surpluses of the oil-producing countries.

These pressures might have M. Jacques de Larosiere, been manageable for some time managing director of the IMF. -as they were under the old expects the surplus of the main oil exporting countries to be \$115bn in 1980 and \$87bn in age change of only 1.9 per cent dollar in the late summer. This compared with an average of 5.2 led to much greater demand for of payments deficits of indusper cent in the six preceding the D-mark compared with other trialised countries falling from years.

EEC currencies and the result
48bn to \$17bn. But he warns The EMS itself can only be ing pressures forced the lete that those of the non-oil

tells visitors that provided the rise in oil prices is a ateady one the banking system will be able to bandle the re-cycling problems involved, just as it handled the \$60bn oil surplus · But other banks and the IMF

are less optimistic. At a meeting on March 19 the IMF Board of directors agreed that the large deficits of oil importing countries would not quickly fade. It talked of "warning signala" about the banks' ability to re-cycle these in signala" 1981 and of indications that the banks might become progressively more cautious in recycling. Next year could prove a testing one indeed. "It looks pretty grim for most developing countries and the experience of Turkey does not make it easy fo rthem to borrow," is the tone which executive directors from developing countries adopt in

Last month's meeting in Hamburg of the Finance Ministers who constitute the IMF granted some of the credit for September realignment. This developing countries will rise Interim Committee agreed that raised for the supplementary borrowings by \$3.1bn. Non-oil countries need be this greeter stability. The was not entirely satisfactory to from \$68bn to \$78bn. the IMF should play a greater financing fecility, the so-called devaloping countries bave not their economic role in re-cycling. But it is Witteveen Fund. The IMF Board been flocking to its door. In take eccount of ment following the wide diver apart from the Danish krone of America's leading banks, still too early to predict does not consider further 1978 they paid back \$900m level of oil prices.

whether the IMF will be more successful in this than it was after the last oil crisis: it then agreed that it should play a larger role, but in practice most of the running was made hy tha commercial banks.

To play a larger role the IMF will need to increase both its funding and its lending. The first of these tasks is the easier. Its present iquidity is adequate, and, even if the U.S. Congress bas dragged its beels about U.S. participation, a 50 per cent increase in quotas seems on its way. This would still leave the share quotas relative to international trade far below those prevailing when the DMF was established in Bretton Woods in 1944. A further, eighth quota review, has been proposed, but for the moment the IMF prefers to increase its borrowing.

Discussions

At present it has \$8bn borrowed under the General Agreement to Borrow and \$10bu

borrowing is an immediate more than they borrowed. In necessity, but at Hamburg tha Interim Committee authorised M. de Larosiere to start discussions with potential lenders.

The main capital surplus countries are the oil producers. and it has already been reported that Saudi Arahia, in principle, bas agreed to land bilaterally to the IMF. But OPEC members are adament that any future arrangement should not be restricted to them: they argue that the oil facility established after the last oil price crisis brought them adverse publicity by focussing attention on oil. Their view is that their pricing policies reflect the way that oil is a finite resource and that tha prosperity of the West bas been built on cheap prices for it. They now wish any future arrangement to include other commodity producers or country

In this context it is important that the funds are borrowed cheap. The IMF's charges have long been below market retes, and developing countries are keen to see this continue.

more contention surrounds the issue of bow the IMF can increase its lending. In 1979 repayments under the IMF's regular facilities exceeded

1979 fresh advances of \$1.8bn only marginally exceeded repayments of \$1.6bn. The main borrowers included Gbana, Jamaica, Kenya Peru, the Philippines and Sudan, Turkey end South Korea have also signed significant agreements with the Fund.

But the disputes between Turkey and the IMF in 1978 and early 1979 and between Jamaica and the IMF today are indicative of the problems that can arise. M. de Larosiere has been keen to see the IMF more active in lending but the developing world finds that the conditions it has to meet are rigorous.

Weapon

Hamburg itself saw little shift in the industrialised world's insistence that "conditionality" should continue to epply. It also saw the Third World temporarily disarmed of one weapon. The decision to go slow on the substitution account meant that the Third World, whose epproval is required for While all these problems of the scheme's formal adoption, funding seem resoluble, far was unable to insist on a quid was unable to insist on a quid

pro quo. But there bas been a slow evolution in the Fund's thinking. It is increasingly recog-nised by the IMF Boerd thet countries need belp in altering their economic structures to take eccount of the changed

The new catch phrase is structural adjustment." That March 19th meeting of the IMF Board saw this agreeing that the Fund's programmes while continuing to include demand management, should put greater emphasis on the "supply side" of economies in order to foster a stronger productive hase and maintain growth.

The board also agreed on three further points. The first was that structural adjustment require adjustment taking place nver a longer period than normally prescribed by the IMF; IMF programmes might be necessary for up to two years, iwth indications of policies for the medium-term. The second was that there ahould be close collaboration with the World Bank which is also extending its programme lending to the area of structural edjustment. The third was that it might he necessary for the IMF to lend individual countries a larger multiple of

All this implies a modified role for the IMF. Traditionally it has provided balance of payments finance to countries in difficulties. sbort-term policies and attitudes are still conditioned by this. Moreover, the commercial banks, on whose support many of its country programmes depend, are insisting thet they are in the busi-ness of banking rether than that of providing development aid.

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Search for more orderly system

The dollar is no longar accepted as the sole important reserve currency, in part reflectng the relative shift in the political and economic balance of power away from the U.S. over the past few years.

Mounting payments imbalances and the liquidityclearing efficiency of the international capital markets are creating a ateadily growing stream of resrves flowing into the coffers of official monetary institutions in both the indus-trialised and the developing parts of the world.

Uncertin foreign exchange market conditions, the growing professionalism of central bank'a currency management, and a new political dimension to currency risk since President Carter'a Irainian asset freeze have brought sweeping changes to the way countries invest their

THE CHANGING atructure of dollar, long practised by only the international reserves systhe avant garde or the exotic tem has become a symbol of among the developing country today'a world economic dis- central banks, bas now canght on among most countries out-side the Group of Ten and Switzerland.

Even some of the induscountries are now trialised making small but significant additions to their non-dollar

"Alternative" reserve cufrency countries such as West Germany, Switzerland and Japan ara softening their tradi-tional reluctance to allow their currencies to be used as reserve assets. And the U.S. itself can ba seen leading the way into a new era by assiduously building up for the first time significant reserves of D-marks to help international central bank

efforts to steady the dollar. There remains a good deal of debate about whether a multicurrency reaerve system—in which the dollar, while remaining the pre-eminent reserve asset, shares its role with an increasing number of other important currencies—inherently

INTERNATIONAL RESERVES

DAVID MARSH

leads to unstable conditions on exchange markets. But there is hardly any argument now ministers' and central bankers' circuit that such a system, for better or worse, has to be lived

Japan and Switzerland during the last few months have been explicitly encouraging controlled diversification flows into their currencies as a way of strengthening them against the

strengthening them against the dollar there is less evidence in favon rof the proposition that the multi-currency system is intrinsically destabilising.

Ironically enough, as Mr. Fred Bergsten, the assistant U.S. Treasury Secretary, pointed oot at the beginning of this month, the development of a multi-currency system has been

ONE WAY and another, gold has had a lot of publicity over the past six months, not all of

it favourable. To a central banker agonising over whether —and bow—the metal might

tionalised scheme fhich aimed to lower tha importance of the

Monetary Fund's plan for a substitution account, under which central banks wishing to dispose of part of their dollar boldings could exchange them for assets denominated in Special Drawing Rights.

the scheme next year. But for a variety of political and tech-nical reasons, it was put on ice the international finance ministers' meeting in Hamburg last month, and looks highly unlikely to be resuscitated.

One of the most important factors influencing the Hamburg decision was the change in atti-

deep in current account deficit. (Switzerland is facing a much reduced surplus this year and may even go into the red too) none of the "hard" currency dollar in world reserves.
This was the International countries spoke up for the proposal in Hamburg.

With the failure of the substitution account to get off the ground, the IMF's long-running effort to increase the importance of the SDR in world reserves has suffered perhaps The IMF had boped to launch the steep climb in the bullion price, the proportion of SDRs in total reserves looks even more puny when set against

designed to replace. By opting for a multi-cursystem regulated primarily by the markets rather than a rigid scheme administered bureaucratically by the IMF, the official finan-cial community bas set itself a large-scale challenge over the Barometer

Central banks in particular will bave to find better ways of managing the de facto system of several competing raserve curthe benefits and the disadvant-

which the SDR was originally

fication flows away from the

But now that the Federal Republic and Japan are both

ages as evenly as possible.

One way of doing this which some central bankers bave been mentioning recently would be to increase cooperation between the reserve centres within the Group of Ten and the large reserve bolders, among the oil exporting countries and elsewhere at present ontside the

An idea of the difficulties of controlling such a system is given by the IMF's official figures for total world reserves at the end of 1979.

Applying the market price for gold (around \$500 per ounce), the total came to around \$820bn. Of this, foreign exchange holdings came to some \$320bn; gold \$470bn, SDR boldings \$16bn and reserve holdings in the IMF

no doubt that the totals involved much instability—and here a have risen dramatically in multi-currency system may well recent years. At the end of 1972, prove to be an adaptable animal.

Germany, in particular, had pre-exchange reserves was only viously warned to the aubstitu around \$100bn; in 1976 \$190bn; and in 1978, \$285bn. of deflecting unwanted diversi-

Of total foreign reserves, the dollars share is still around 75 to 80 per cent. Rough estimates split the remaining 20 per cent between the D-mark with more than 11 per cent, the yen and the Swiss franc 4 to 5 per cent each, and sterling, the guilder and the French franc all with 2 per cent

and under. The dollar component has in fact remained remarkably stabla at around 80 per cent over the last decade, with the D-mark's ahare growing to a leval comparable to that enjoyed by sterling at the start of the 1970s. But this apparent steadinesa gives a deceptive picture of what has been happening. A largepart of the gain in dollar reserves simply reflects the big rise in holdings of the main group of industrial coun-tries—West Germany, Japan, Switzerland, France, Italy and the UK—which bought up large amounts of dollars during the currency's weakness of the late 1970s.

Recognised.

The problematic structure of world reserve holdings bas long been recognised. No less a figure than Mr. Gordon Richardson, Governor of the Bank of England, bas spoken of the "relative decline in the absolute dominance of the U.S." and stated that it was difficult believe that over the longer term so large a proportion as 80 per cent of the world's currency serves would be held in dollars.

The other countries in the industrialised world, whose comanaged multi-currency system. are now at last showing signs of facing up totheir

It is still far from clear whether this set up will be more stable than any other reserve system with which the world the financial markets fundamentally exposed to all kinds of potential disruption both from the OPEC surplus as well as from highly divergent infla-\$15bn. tion rates among the main currencies, the goal cannot be comings of the statistics; there is stability but rather avoiding too

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GOLD

MARTIN TAYLOR

take a more important place in the world's reserve asset system, the gyrations in price pose an almost intolerable dilemma. They show once again that gold is both too important to be ignored and too bot to handle. From its traditional role as a stabiliser of the international monetary system gold, to some extent excluded from the metal.

to watch

that system, bas shown its power as a disruptive force. For the partisans of gold's monetary role, the answer is simple: the metal should be rebabilitated as an international standard for settlements. Yet gold possesses a number of features which might be expected to disqualify it from such a role. Since the attempts to demonetise it, gold has be-haved more and more like an ordinary commodity, at a time when commodity prices in general have been behaving in extravagant ways. Demand for gold from jewellers may be relatively predictable over the medium term; industrial demand is a different matter, now that rare metals are finding all sorts of new applications —warbeads, in the case of gold.
Gold no longer has that sublime uselessness which used to
enhance it position as a pure
numéraire.

Nightmare

The position of new gold sup-plles is a political nightmare. That the Western world should consider basing its economic system on a sustance emanating from South Africa and the Soviet Union is too ludicrous to be iranic. No difficulties baye been experienced so far with the two major suppliers, but there is no guarantee that things will be as satisfactory for ever. The possibility that South African supplies might be seriously disrupted at some stage in the future may be a good reason for hoarding gold now, but it makes the re-adoption of the metal as a stan-

dard rather bazardous.

The very fact, too, that by pushing troops into Afghanistan the Russians could double the valu eof their gold boldings is also a doubtful recommend-ation for gold as a standard of value. The development of gold

futures markets, while it must be welcomed by those with a genuine need to hedge physical supplies, seems to have amplified price fluctuations. The "sloshing pool" of Eurodollars which is supposed to leave the dollar open to unreasonable and drastic speculative movements, leads in general to more stable market conditions that the small supplies of physical gold, now that they can be bought and aold forward on margin. Of course, the U.S. authorities, by their spasmodic and unpredictable series of gold auctions, bave only intensified the insta-bility of gold.

But then if gold did retorn to a more central role in the world banking system, central banks would presumebly take stepa to avoid any Bunker Hunting. The most convincing argu-ment for gold to resume some sort of role as a standard is that it might foster discipline among national monetary anthorities and confidence among users of money. The popular theory that gold bolds steady in value against the most basic of con-sumer goods over the centuries bas taken something of a knock this year—unless you are unusually indulgent about blips on a cbart. But despite recent speculative losses, investor con-fidence in gold generally seems to be bigher than for many

The extraordinary price be-baviour of gold over the last winter bas of course reflected political as well as economic fears, although the two bave been bard to disentangle. But quite asprt from the co-incl-

and beightened international tension in a uniquely sensitive area o fthe world, there were sound fundamental reasons for a solid advance in the price of

An end could at last be seen to the series of IMF auctions, which run their course this summer, and the enthusiasm of. the U.S. Government for dumping gold on the market from its reserves to support the dollar bas noltceably waned. On top South African economy made it likely that the volume of official gold sales by the South African Government might be reduced and Soviet selling seemed to-bave dried up for a time—per-haps because the higher gold price bad enabled a set objective for raising, foreign currency thorugh gold sales to be reached earlier than expected.

. Theo again, the success of gold as a bedge against currency fluctuations seemed to have persuaded even the most sceptical international portfolio managers that an increased investment weighting in gold was desirable-not on a trading view but as a strategic stance. Long before the Russian troops entered Kabul, a steadily increased demand for gold was in evidence.

Another key factor in improving sentiment among investors bas been a tentative shifting in favour of gold of the long-ambivalent attitude of the central banks. It is still possibla for U.S. officials to make monetary affairs without men-tioning the metal. But a number of other central banks have followed the lead of the Banque de France in revaluing their own gold boldings. The willingness of world monetary authorities to discuss the possible impact of world liquidity and inflation of their own acceptance of a higher gold. own acceptance of a higher gold reserve valuation is in itself a step towards remonetisation.

Pretensions

More significant still is what the central banks bave not done. Not one of them sold gold in January, although they were bappy to declare that the price was ridiculously high. A con-certed sales programme to knock on the bead for good gold'a pretensions to reserve asset atatus would now : be supported by fewer central banks than ever the question now is to what extent central banks will be able to mobilise

their gold reserves.

In between revaluations the central banks behave for the most part as if their gold reserves did not exist. But borrowing on the collateral of gold —as in the German Bundes-bank's balance of payments loan to Italy—has been accepted, and the credit rating of Germany itself, if it chooses to borrow abroad, is as bigb as it is because of the country's large gold reserves, The Germans may not revalue their gold holdings but anybody can do the sums.

The European Monetary System has a facility for the settlement of dabts between central banks in gold. Teouous signs are emerging that central banks are prepared to treat the problems connected with their gold reservea as practical rather than

theological questions.

This more pragmatic approach cannot be a bad thing, for gold is too firmly entreuched to disappear. Indeed, its staying power bas always been one of its attractiona. Gold may be a barbarous relic, deserving dis-approval, but it is also a barometer, and barometers deserve attention. After all, "if you break the bloody glass, you won't bold up the weather."



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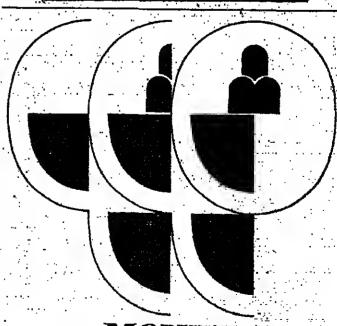
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International tension shows cracks in the system

COUNTRY RISKS

BARRY RILEY

THE RAPID growth of cross-Brazil is the name which is most Borrowing in bard currencies frontiar hank lending has been often mentioned by bankers in by Comeron countries has been further fuelled in the past year this connection. or so by the reappearance of tha further dimension of risk financial surplus of the OPEC bas been added by political

activity have been starting to syndicates which have often show through rather ominously. been shown to he far from Countries like Turkey and united in their approach.
Zaire have been forced into Moreover the intensify

developments. The revolution in Once again the international Iran and the sanctions recently banking system is thrown the imposed by the U.S. and other challengs of the recycling of countries have turned a major international currency flows. Dut horrower into a serious credit the need to step up international risk—and have incidentally lending has come at a time when exposed structural weaknesses the strains of previous recycling within international banking

Zaire have been forced into
drastic attempts to reschedule
and renegotiate foreign borrowings. There is concern at the
Afghanistan has cast a shadow

SYNDICATED

CREDITS

PETER MONTAGNON

banker put tt: "It was like a

group of sailors looking at solitary girl."

Now the question ramains as to whether spreads will rise later in the year. The argument

in favour of this says that

borrowers will return to the

market io force during the summer to catch up on the borrowings they delayed in the early months of this year. They

could be all the more encouraged to do this by signs of a turn round in U.S. interest rates.

There are still, bowever

way into tha banks and they

At the same time banks hava

been experiencing run-offs in

Often they also have budgeted targets to fulfil end there is

always the prospect of fee in-

positions in international credi

Since the beginning of April

supply bas also been boosted by the reappearance of Jepa-

loan market. These hanks were forced to withdraw last October by their Ministry of Finance. For the current fiscal yeer,

which runs to end-March 1981

they ere expected to contribute a volume of some \$5m to the market. This is not large con-

pared iwth their activity in the past, but it will boost tha evail-eble supply of funds for lend-

ing, especially since the U.S.

hanks do not saem to he suffer-ing quite the constraint ex-pected immediately after the

last Carter economic package.

For the better rated borrowers; especially those in Western Europe, this should mean that there is very little

upward pressure on spreads.

Less well rated borrowers such as Brazil, which has e very larga

requirement Indeed this year.

will not escape so easily. The result abould be et least a greater pricing differential be-

tween the various categories of

How far this differential does

in fact wide nwill depend on

On the other hand there is

some doubt as to the extent of

fro mthe market for the rest of

the year. Whatever happens, the

Differential

in international

positions

Swamped

ings. There is concern at the Arguanus deficits and dehts of certain over the other developing countries: scene. West-East lending

Slow start in a cautious market

THE SYNDICATED market got off to a slow start in 1980. According to figures complied by Morgan Guaranty Trust Co., the volume of publicised Eurocurrency credits in the first quarter amounted to only 10.1bn compared with \$16.4bn lo the same period of 1980.

This is a striking development when set against the widening current account payments imbalences that are emerging around the world following the very sharp increases in the price of oil. Normally one would expect countries with growing current account deficits to borrow more on international markets. That this did not bappan probably reflects more than anything else the tech-nically difficult situation of the market as the year began.

Last year saw a very rapid expansion of market voluma with total new credits rising to \$82.8bn from \$70.2bn in 1978. They were thus almost double the amount of \$41,8hn arranged in 1977. Keen competition for mandates led to strong compres-sion of spreads, so that in June some fundamental arguments in favour of the continuation of the borrowers' market. The the French State electric utility EDF was able to sign a standby the borrowers' market. The stand most important, is only 0.15 per cent for the first, and most important, is that banks increasingly find two years, 0.25 per cent for the themselves swamped with two years, 0.25 per cent for the themselves swamped with next four years and 0.35 per liquidity. The OPEC surplus is cent for the remaining four expected to rise to about \$115bn years. The largest borrower this year from about \$60bn last in the developing world, Brazil, year. This money is finding its was by contrast able to obtain way into the banks and they a split spread of 4 and 4 per simply have to find assets to cent on its \$1.2bn 12-year Euro-match it. credit signed in November.

By the end of the year, bowever. banks were becoming increasingly cantious. Not only were legal lending limits being offen they also have budgeted neared in many cases; there was also growing concern about the low profitability of small spreads as well as the dwindling differential in pricing between prime - reted industrial borrowera and the less attractive in the developing countries.

As a result the banks hegan to clamour for an increese in margins. Experience to date shows that their wishes bave been fulfilled in a very limited way only, even despite the uncertainty generated by the U.S. freeze of Iranian assis and the Soviet invasion of Afghanistan. This did, however, hereld a period of extreme nervousness in the syndicated credit markets during which both the banks end the borrowers held back What emerged was a war of nerves, with the two sides playing a game of cat and mouse.

On the one hand several major borrowers held hack from the market in the hope that things would settle down. Even if spreads were about to rise they were reluctant to be the first to be seen paying more. A further daterrent was the very high level of U.S. interest rates in the period up to mid-

Six-month Eurodollar rates at their peak were quoted around 20 per cent; at the start of tha year they were only about 144 per cent. For every \$100m borrowed this meant an extra e number of factors. Over recent \$5.5m annually in debt service months international banks have charges. For some borrowers become increasingly disturbed this sort of cost was simply too by developments in Iran and steep, especially since in a Afghanistan. Escalation of the number of countries the cost tensions has made them much number of countries the cost tensions has made them much of raising funds, abroad more selective and prompted exceeded that of domestic something of a flight into quality in syndicated lending.

At the same time many banks If the situation deteriorates were also more cautious, believ-further borrowers in Western ing that if they did not run after busines spreads would rise eventually. Some finely priced deals thus, progressed rather slowly, including one seven-yeer tant to do business. \$250m credit for the National Bank of Hungary with a spllt i-i per cent margin over prime or f spread over Libor and a materialise in the summer: 10-year \$250m credit for Brazir's Petrobras with a split margin of and I per cent.

This per cent margin over prime the surge in demand thet may materialise in the summer: Many developing countries last year added substantielly to their reserves as they were able to their reserves as they were able. 1-1 per cent margin over prime

This tactic bas not worked to take advantaga of the bor-properly so far. While it is clear that maturities have been fall-ing, spreads bave stayed low them to continue to bold back except in a number of special cases. Even during the period of restraint there were always upshot is that it has become banks that actively sought mandates to boost fee income. This find the right price at which Played into the hands of the to lend.

Borrowing in bard currencies growing fast, but there is now a renewed awareness both of tha political dangers and of the economic risks faced by big borrowers - notably Poland which are having trouble in

The need to find new ways of assessing their hig existing international loan portfolios, as well as to judge the pros and cons of possible new commitments, has caused bankers to think more deeply about the subject of country risk. There have been attempts to develop a more objective approach to what bas in the past tended to be a highly subjective area.

Inevitably there has to be a strong subjective element to the assessment of e purely political risk. The prospect of stability is obviously the key element bere, and Iran provides a key example of how a comparatively highly highly rated borrower can go suddenly tumhling down the credit rating tables.

Normally, the political risk is that a borrower will default. There was an unusual twist in the Iranian situation, however, in that the Americans froze Iranien dollar assets and so it was not entirely clear whether the Iranians

servicing their debts.

from folfilling their obligations.

The distinction has turned out to be an important one, and has caused much strife within lending syndicates. Economic risk-the inability

of a country to meet its commitments, even when there is a political will to do so-is more amenable to quantitative assessment, although the lack of reliable stetistics may be an obstacle.

Requirements

Factors that are important here are the size of external debt, its rate of growth, the level of exports relative to debt service requirements, and the level of gross national product per capita. Many different economic and demographic elements may, of course, be analysed in this type of risk rating system. From the banker's point

defaulted or were prevented view what is important is not so much a country's existing performance as its potential ability to adjust in a crisis.

not be such a disadvantage if there is a large element of in-essential consumer goods which, at a pinch, could he done without. In many developing countries, however, imports will he largely made np of essential raw maetrials or capital equip-

Other things being equal, a high GNP per head is better than a low one, since it means that output could be shifted in e crisis into improving the balance of payments. It is not as 'simple as this, bowever, because not all countries ere capeble of producing goods which can be traded internationally. This is a problem for some Comecon countries. for instance, even though their about the narrowness of lend-GNP per capita levels mey be

In looking at exports, hankers will give high marks for diversity, and low merks for a concentration on a very few commodity-type products where price weakness could lead to balance of payments

comparatively high.

pect of remedial action. Zaire and Zambia, with their dependence oo copper, are examples of this type of problem.

problems with very little pros-

A few benks rely extensively A high import propensity may but probably most of hime lean more flexibly on both subjective and objective criterie.

The more cautious will rely

on the direct personal experience and indgment of the hank's executives, and will not hecome exposed to conotries where there is no direct knowledge within the hank.

Whetever the rating system, it is normal for hanks to set limits on the exposure to individual countries. Of course, there is a price for risk and if the rewards are adequate — enough to allow appropriate loan loss reserves to be set up banks will still get involved in whet may appear quite riaky lending.

Bankers tend to complain ing margins, or spreads.

because finance ministers know that prestige is attached to a low spread and are more willing to concede extra returns in less sensitive areas of the lending package, such as front end fees. It is not unkonwn for banks

وكذامنالأجل

to receive rewards from separate transactions as well. Moreover, big banks often tend towards a portfolio approach to risk maoagement. Individual risks may sometimes

individual risks may sometimes look high, but so long es they are spread in a diversified way thet impact of a small number of individual defaults can be absorbed.

Umbrella

This approach can run into problems, however, when trouble hits a whole group of countries. A prime example of this is the Comecon group, where there is concern that the protective umbrella previously thought to have been provided by the Soviet Union could, in certain circumstances, now be

Many hankers have in the past considered that the Soviet Union would come to the rescue when one of its allies found it-self in financial difficulties. There has been no legal hasis for such assistence, but it has heen felt that the Soviet Union

worthiness of the whole Eastern bloc to be tarnished by the problems of one of its members. Therefore Western bankers have often been inclined to assess Comecon as a whole rather than to look at individual countries.

In the changed post-Afghanistan climate, however, the political risks bave in-

Bankers are concerned that in certain circumstences the Soviet Union could actually use a default by a Comecon member as an economic weapon against the West. So there is now more discussion of individual country riaks within Comecon, and of course the highly exposed position of Poland has come in for discussion in this connec-

Such chenges of attitude serve to highlight the way in which the perception of country risk can alter very rapidly. It is only ebout four years ago, after all, that the credit rating of the United Kingdom was at a very low level for an advanced industrial nation.

The rapid growth of North Sea production and soaring oil prices have, however, helped place very neer to the top of the country credit rating list.

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Spurt in dollar issues brings record total

bonds floated last year reached yet so did the volume of bonds which new issue managers were forced to bold, sometimes for many weeks before they could incurred since the end of place them with investors. There have been signs of a change in investors' attitude, but that will not erase the painful memories of last winter.

As Mr. Ian Kerr of Kidder and price quotations were Peabody International recently wideoed across the board though put it: "For experienced Eurobond traders, 1979 may prove to be the year which made 1974 seem fun. It began poorly and achieved the unusual distinction of maintaining a course of almost consistent deterioration."

The root cause was the persistent fragility of the dollar and for months the international bond markets clamoured for strong measures to support it. Every lurch upwards in the dollar rates provoked the same reaction from most investors too little and too late. In mid-October bowever, the recently appointed chairman of the U.S. Federal Reserve, Mr. Paul they wanted—a package which included a boost in the U.S. discount rate to a record of 10110wing the Volcker package. However, the level of 25 bonds, touched in 1974, does not appear to be 10110wing the Volcker package. However, the level of 25 bonds, touched in 1974, does not appear to be 10110wing the Volcker package.

seasoned issues fel by up to four despite some new arrivals in the point in the week to October 12. Eurobond secondary market,

issues which, by October 19 totalled \$5bn in face value for the year showed a capital loss of \$245m, \$200m of which was September.

The market's fragmentation iocreased; in the week or so following the Volcker package there was no bid for many bonds only two market participants widen the spread in prices for the bonds they traded.
One of the houses was Kuhn

Loeb Lehman Brothers, which earlier this year decided to narrow the list of issues it makes markets in to those which

The amount of bonds traded in a given transaction ahrank dramatically, to less than 100 in many cases. The decline in transaction size bad been a feature of the markets since the late spring of 1979 but it took on a dramatic aspect in the weeks following the Volcker

The state of the secondary
The market reeled at market earlier this year could
Volcker's medicine: prices of be summarised as follows:

THE VOLUME of new Euro- First Chicago estimated that overall liquidity deteriorated straight and convertible dollar substantially in 1979, one of the major results being that at least one-third of all Eurobond issues have no effective secondary market.

Almost al the established trading houses have cut back their inventory to some extent and have reduced the total number of bonds which they

The crisis of last winter was made much worse by the fact that for a long time the dollar sector of the market was trying to have it both ways. The mispricing of issues had become the rule rather than the exception and this bas compounded the problem of the trading sector.

Mispricing bas been the direct result of the growing competi-tion to get mandates and is not But with rising interest rates increasing the cost of carrying bonds, some bond bouses have had to pay a very heavy price for not being able to place bonds quickly.

The mispricing of issues has also driven away many investors —particularly those of the retail variety. Initial mispricing bas resulted in major capital s for some private clients and, despite the rise in prices managers who claim that they month, the face value of effectively sabotage new issues last

EUROBOND MARKETS

FRANCIS GHILES

many bonds is still well below by encouraging discounts in the that at which they were issued. "price offered to important in-The boom in new issues which has resulted in recent weeks

from the fall in U.S. interest rates and the very sharp rise in prices of seasoned issues, welcome as they are for new issue managers and dealers alike, will do nothing to belp restructure the market internally. Primary mispricing has become such a way of life for many bond bouses that it is difficult to see it changing. Leading institutional buyers of bonds are well known and thus are constantly approached by everyone in the market.

Syndicating new issues was made more difficult by the activities of the so-called "grey market" where pre-market bid and offer prices are quoted by an informal network of dealers, the best known of which are Ross and Partners (Securities). Such activities are attacked by a number of new issue

vestors. The grey market defenders retort—with more than some justification — that the primary market has lost touch with reality.

Some bond bouses did attempt to improve the distribution of bonds. in July S. G. Warburg reduced the full underwriting on a \$100m issue for Sweden to a low 1 per cent and offered the bonds on a yield basis. They did the same in March on a \$500m issue for the same One borrower, the EIB, whose

appetite for new funds is. almost insatiable arranged an auction for an issue it managed itself. The formula worked once—but was not repeated.
Investor wariness with fixed interest rate paper turned attention to the floating rate market. A greater volume of floating rate note issues arranged last year than fixed

interest rate bonds.

towards the eod of 1979 from the unwillingness of many new issue managers to differentiate between various categories of borrowers in new issue pricing, FRNs now appear to have been accepted by many institutional

Since Easter, the dollar sector of the Eurobond market, which went through another very sharp fall folloying tha rise in U.S. interest rates to record levels in March, has been through one of the fastest rallies in its history. New issues worth more than \$2bn were arranged between April 7 and May 7 while the level of activity in the secondary market was the highest for well over two years.

Not all market prticipants are convinced that this rally will wipe out the painful memories of last winter. Only the next few months will tell how many investors will not come back to the market. By contrast, D-market sector bas enjoyed a quieter year. On the face of it the volume of new

issue activity was down. Coming st the end of a year during which the tribulations of the U.S. dollar have mostly made beadlines, the slight contraction volume of foreign D-mark bonds issued appear paradoxical—the para-

than real.

International investors have been buying far more D-mark paper than the figure of \$8.7bn for international D-mark bonds at first suggests. They have been buying Schuldscheine some DM 10bn investors as a "must" for their (\$U.S.\$6bn) of which are estimated to bave gone into non-

German portfolios last year. Exact figures are impossible to come by but this figure is believed to represent a 50-100 per cent increase on the previous

Liquid

Schuldscheine are roughly equivalent to promissory notes. They are issued by a large num-ber of federal and state agencies of the Federal Republic but only those issued by German banks and which carry a maturity of more than four years and one day can be sold to non-German investors.

small as DM 100,000 can be bought, it is muc heasier to trade amounts of over DM 1m and n pto DM-5hn.

The size of transaction needed at this level the market is remarkably liquid—restricts the list of acceptable customers. This includes Swiss banks, inter-

The D-mark foreign bond sector ha senjoyed a good year so far, but the volume of new issues is becoming more erratic to predict as the very sharp rise and then fall in U.S. dollar rates a contraction in the demand for D-mark paper.

However, even during the very fast fall in U.S. dollar rates last month, demand for D-mark paper remained strong after yields offered on such paper had been increased at one point to

a record 10 per cent.
More new D-mark issues were arranged in April than during any month this year, over DM 1.2bn worth. Convinced that interest rates

bad peaked everywhere, investors proceeded to move their funds out of time deposits and into longer term paper. This move also benefitted the Swiss franc sector which, throughout the past 12-15 months has essentially followed the trend set by

the D-mark sector. Other small sectors-sterling, French franc and guilder— flourished last year while the first ever Norwegian krone denominated bonds made their

appearance.

But, to all intents and purposes, the dollar, D-mark and Swis sfranc remain the major

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Calls for money grow apace

THE SIZE of the Euromarket exceeded \$1,000bn for the first time in the third quarter of last year. According to the Bank for International Settlements (BIS), gross external assets of banks in the Group of Ten lead-ing industrialised countries together with Austria, Denmark, Ireland and Switzerland and of the branches of U.S. banks in the main offshore centres rose by \$95bn during the quarter to

total \$1,042bn. Commensurate with this, the growth in international leanding continued apace. The BIS has not yet published figures for the full year, but the Organisation for European Co-operation. Development (OECD) calculates that new borrowing in inter-15 per cent to \$115bn in 1979. Of this, some \$18bn was accounted for by Eurobonds. \$19bn by foreign issues in domestic markets and \$78bn by medium-term syndicated credits.

As before, a number of corrowers continued to grab the limelight. More than ever this continued to be the case with Brazil, whose borrowings from commercial banks totalled some \$36bn by the end of June last year. At the moment the country's external debt is thought

According to the country's Planning Minister, Professor Antonio Delfim Netto, Brazil'a total external financing requirement this year amounts to some \$12bn. Of this some \$7bn represents debt service requirements and \$5bn new money. Brazil has already decided to draw \$2bn from its reserves this year to help cover the gap, but even so the figures have met with some scepticism on the part of the international bank-

Brazil got off to a slow start with the horrowing programme. negotiate a very large credit of baving mandated only two up to \$1.8bn to consolidate its syndicated loans for a total of sbort-term debt.

BORROWERS

SOVEREIGN

PETER MONTAGNON

\$600m in the first four months of the year, Banks are waiting auxiously to see when and on what terms they will be asked to come up with the rest of the

The other largest borrower in Latin America, Mexico, is in result of the sharp increase in oil prices. Its gross external borrowing-requirement appears to have been reduced to \$9bn this year from the \$11bn expected earlier.

Mexico started off the year by concentrating its borrowing on short-term credits. Typical terms were three years at a margin over Libor of 1 per cent. Recently it bas been seeking to about \$800m medium term funding in connection with President Lopez Portillo's State visit to Canada, W. Germany and France, Terms it has asked for - 1 per cent over seven years and a split }per cent over eight - bave however, met with little enthusiasm from the banks.

Argentina continues Argentina continues to get favourable terms despite the succession of banking problems which has plagued the country. Peru's economic situation has turned round sufficiently for it to be able to tap the syndicated credit market again. Venezuela meanwhile, started in April to

CONTINUED ON NEXT PAGE



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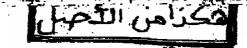
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WORLD BANKING VII

Services to generate fees the common aim

THE FEE'S the thing to go for long term rates of interest in International banking at the

that unites commercial banks, investment banks, merchant banks and universal different forces push them all towards this goal from different

For the commercial and universal banks the driving force is the steadily increasing com-petition in the traditional business of taking deposits and lend-ing. Where banks do not have territorial advantage — in large scale Eurocurpency lending for example — the most obvious evidence of this competition is the trend towards spreads also stockbrokers, deprived which provide a barely sufficient five years ago of a substantial.

Where banks still have territorial supremacy, as the small State bank does in the U.S. and the big clearing hanks do in the that supremacy is disclining eroded. Foreign and money centre banks are in the U.S., and the already feeling the draught from merican and Japanese banks Britain

Crinciding with this squeeze n margins, a combination of droressed stock marketa and the indifferent relative ratings ded to bank shares bave made equity finance for banks measure. The result is an im-passe: banks should be rapidly creasing their balance sheet "n'ume to commensate for the 'wer margins; hut they cannot because there is: no way, in which they can generate the ecessary increase in their canital base.

Mone

SOVERE

ECRROW

apace

So the search is on for more "added value" in each bank's activities. This means a trend owards services which have the

twin advantage of generating fees and not requiring capital. For this reason "Service banking? bas been the catchword of the commercial banks over the past decade.

Pressure

For the investment and mer-chant banks the increasing emphasis on fee income arises from a decade, of pressure on

source of fee income in search

Both types of hanks have tended to act as agent rather than principal in the supply of finance, and have tended to bring together -- sources and users of finance for a fee or a commission rather than pass the money through their own balance sheets, earning an in-

terest differential, tles market has been a decreasingly vital generator of reached a level which only the The depressed state of the atock porate treasurers to raise equity finance. British Industry has become increasingly bank debt orientated.

In the U.S. the pressures on the investment banking comof security house amalgama-tions on Wall Street and in the disappearance of many prestigious names of the 1960s.
This bas occurred because,

unlike British merchant banks,

by Wall Street investment hanks It was this com

eager to place them with preserve daily contact with need which the investment bank, customers for a distribution those institutions and keep with its small size, beguilingly fee. Meanwhile both classes of closely abreast of market condi-prosperous looking executives U.S. security bouse were, and tions. market has not encouraged cor- still are, protected from the big U.S. commercial banks by the Glass-Steagal! Act of 1933 which barred commercial banks

from issuing securities.
The stock market boom increased the financial firepower munity have been even greater. of big hrokerage honses and They have resulted in a wave increased the variety of securities which the investing public was willing to buy, weakening the controlling position of the

Then, when the stock market went into the doldrums, the placing power of the brokerage houses became a vital in-gredient for successful underwriting where previously the end-sale to the investor was

It was this combination of during the atock market boom forces which allowed Merrill of the late 1960a prompted Lynch to emerge as the most

INVESTMENT BANKING

NICHOLAS COLCHESTER

competitive pricing was un-leashed on the industry in May, can shift a big issue of his 1975, when the golden stock securities into an unfriendly market days were well over.

The combination of nego. The percentated commissions and de combining tiated some 350 U.S. hrokerage banking strategy in recent houses and investment banks years. went out of business during the decade.

in the revenue mix of the New in end of the 1970s this propor- relations tion was down to around 40 per the U.S.

It was this boom and bust in the brokerage husiness which the common denominator of the traditionally lucrative and their activities — the securities business.

More exactly, this pressure securities in the U.S.—the the traditionally lucrative and

Until the late 'sixties boom the august issuing housenames like Morean Stanley to maintain a tight hold on the business of issuing the best class of corporate securities. Through the closely defined pecking order of the syndicate system they had kept brokerageorientated houses like Bache or The point is that the securi- Palne Webber in check in their efforts, to act directly for the

issuing companics. financing fees in the last decade. The issuing houses controlled "after sales service" to insti-in the UK the fixed interest the allocation of high-grade tutions whith which they wish bond market disappeared as securities to brokerage houses to place new issues. They also

the introduction of negotiated formidable brokerage and rather than fixed commissions issuing bouse in the U.S. To for stockbrokers in New York this day Merrill Lynch adver-Fatefully, the brisk wind of tises itself to the corporate

market. The perceived necessity of ombining "client power" rith "placing power" has pressed trading volume was the with "placing power" has most important reason why conditioned much investment

It was a formula exploited successfully in the link between The pressure was also visible White Weld and Credit Suisse the international bond York security honses. In the market. This liaison coupled mid-1960s over 60 per cent of the massive investment porttheir Income came from follos of the Swlss bank with brokerage commissions. At the traditional corporate end of the 1970s this proporterelationships of White Weld in

The German banks, spanning the investment banking, fund management, and stockbroking. brought pressure to bear on businesses, were in a natural position to make a strong showbusiness of ing in the international bond underwriting market.

To those out natural " base demand " new issues the strategy has been to cultivate assidiously a small number of powerful and First Boston-had managed investing institutions. To this end such bouses have invested the capacity to trade in securities-" market mking " as it is known in the Eurobond market, or "block trading" in

New York. Through this willingness to engage as principal in the secondary market for securities. issuing houses offer a sort of

banks-both investment and commercial because the latter are not so hampered by the Glass-Steagall Act abroad-have invested in trading ability in the last three years as a way of achieving greater success in the new issue market.

Unfortunately an unremitting bear market in dollar bonda has shown them what an expensive investment this can be. Some, like Amex Bank and Kuhn Loeb Lehman, have decided that the end does not justify the means. Though the securities issuing business both in the U.S. and abroad continues to be lucrative, the uncertainty in the financial markets over the future course of inflation and interest 'rates

has led to a preponderance of bank financing over security

Recent events in the U.S. have, indeed, suggested that the long term bond market could be drying up in the same way that the British market did. This relative decline of the bond bond market, conpled with pres-sure on fees because of competition, prompted investment banks to look for other areas where they can be of service.

Merger and acquisition business is one obvious area which has been extremely profitable of late. A successfully negotiated takeover of a large corporation can earn an investment or merchant bank a fee of several million dollars.

Financial consultancy is another growth ares. Business bas become increasingly multinational. At the same time the currency system has become more unstable and complex with floating exchange rates, fast moving rates of interest, and a bewildering number of sources and methods of finance.

The overall result has been to Increase the financial element in business risk enormously and with it the need for financial consultancy. It is a of finance.

prosperous looking executives and expensive consulting rooms. It is notable how many U.S. is well positioned to meet.

Investment/merchant banks are increasingly becoming the McKinsey's of finance. They hold the hand of the corporate treasurer. They conceive intricate financings for large pro-jects. They advise nations bow to borrow money from other

For a long period after the Second World War investment and merchant banks were pro-tected from competition from commercial banks by custom or: by law. Broadly speaking they did not chase each other a business. This no longer applies.

Service

As I suggested at the start, all forms of banks are today after fee income. The service invented by the merchant hank today becomes part of the commercial or universal bank's business tomorrow. Merchant banks developed the inter-national bond market; today they have their work cut out to play a major part in it. Invest-ment banks invented the syndicated ioan: today commercial banks would rather syndi-cate their loans themselves.

.The commercial and universal banks are themselves well equipped to provide financial advice. The development of the term loan during the 1930s depression in the U.S. forced banks to become expert in the industrial sectors to which they were lending. Today such in-house expertise is more wide-

spread than ever. The future for investment merchant banks is assured only by the fact that in any great industry there is always oppo tunity and profit to be made by groups of people with style, intelligence, imagination, and the right personal contacts. There is nothing else to

ensure that such hanks have an ineradicable role in the business

Borrowers

CONTINUED FROM PREVIOUS PAGE

Another part of the world, of that has come under increasing is Eastern Europe, where banks have become much more reserved since the deterioration in U.S. Soviet relations following the crisis in Afghanistan and Iran.

Even so. Hungary was able to exceeds raise a \$250m seven year credit gross with a spread of I per cent.over Libor or a split margin of 1-1 over prime earlier this year. Hungary is expected to borrow some \$500m to \$600m abroad this year, much less than the \$1bn it raised in 1979. It should have little difficulty in

carrying out this programme. Poland by contrast is in a much more difficult position. Its total debt servicing requirement is put at about \$8bn this year and it is in the early stages of negotiating a jumbo credit of about \$500m from Western

For the banks the problem with Poland is not only one of limits on lending to an East European country, they are also deeply sceptical of the information provided by the Polish Government. What they would like to see is more substance behind the figures, particularly where export targets are concerned. There is some doubt also about whether Poland really had managed by late April to arrange about three quarters of this year's external borrowing requirement which is put by the Poles at some \$5bn.

At the same time Poland's debt service ratio is causing concern. It amounts to over 70 per cent of the projected hard currency income from export of goods and services.

In Western Europe a new borrower has emerged over the past year. Belgium raised a \$1bn credit late last year and a further \$1.2bn this spring. This strategy reflects the problems Belgium has faced in funding its hudget deficit on the domestic capital market. If the market does not show some signs of improvement Belgium's total external borrowing requirement this year could be somewhere in the order of \$2.5bn. The transactions completed so far show that it is a very bighly-rated borrower, abla to obtain funds at a split margin of 1-1-

Low margins are also the co-ordination of Privatbanken. ten years at a split spread of The terms were considered. 1-2 per cent. There is a five-exceptionally fine in view year grace period.

country's problems. Another large Scandinavian

borrower, concentrate on the fixed rate makt to satisfy its needs so far this year. The amount raised in this way \$1bn. The country's foreign requirements are put at some \$7bn this year.

There have been signs of rising spreads in Southern Europe, particularly in the case of Spain where a spate of credits by utility companies caused spreads to leapfrog early in the year. Even so, the State railway concern Renfe was able to arrange a \$160m eight-year credit through Germany'a Wesideutsche Laodes-bank at a spread of f per centthroughaut. This puts it on roughly the same footing as Greece, which chose the same margin for a \$550m eightyear credit by its central bank. This compares with a margin of per cent over teo years obtained by the same borrower last November.

In Asia, Korea resumed borrowing in February for the first time since the assassination of President Park Chung Hee. The loan was an eight-year \$500m credit with a split mar-gio of 1-1, terms which have set the pattern for subsequent borrowings. Soulb Korea's indebtedness to commercial banks in mid-1979 amounted to some \$9.4bn according to the Bank for International Settlements. The borrowing requirement for 1980 exceeds \$2bn.

Linked

The Philippines, meanwhile, bas been put off large-scale Euromarket borrowing in recent months by the bigh level of interest rates. Its Finance Minister, Mr. Cesar Virata, said in London last March that the country has only \$300m more to raise in international markets this year.

A newcomer to the syndicated credit market is China, which raised a \$300m five-year "club" credit through a group of Arab banks. The credit, signed in February, bears a margin of per cent over Libor.

In Africa a number of recent deals have been noted for Nigeria. The operations are order of the day in Scandinavie hasically linked to projects and where Finland set the pact.
February with a \$150m eight- margin of 1-1 per cent.
year credit by its central bank eight-year period. Elsewhere
Zaire has recently rescheduled
and the second of the period of the per This encouraged Denmark to go about \$400m in uninsured for a spread of only i per cent syndicated credit from commer-in its \$250m credit arranged on cial banks. The conditions proachb basis under the vided for a rescheduling over



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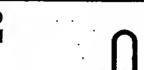
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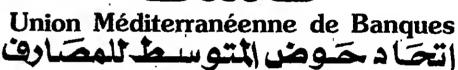
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1.300 billion lire, of which 850 billion lire for custo-

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customers' deposits

DEPOSITS

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Mr. Alberto Faick

SOME MEANINGFUL FIGURES OF BALANCE SHEET

Recovery of confidence

SHIPPING FINANCE

WILLIAM HALL

bankers like to call it, can be one of the most profitable banking operations around. It can also be one of the most risky.
as many commercial bankers have found to their cost.

The world shipping industry la slowly emerging from its worst recession since the 1930s. No one has been able to estimate the cost in the financial community of this prolonged period of hardship. Several shipping companies bave disappeared, others have been forced to sell off valuable assets to survive, and most bave found their liquidity strained. In the early 1970s many inter-

national hanks set up specialist shipping finance departments. As the world'a sbipowners scrambled to order ships the banks obligingly provided much of the finance. Maturities were extended, spreads narrowed

(in billion lire)

1.864

FINANCING shipping, "float and traditional banking prac-ing real estate," as American tices of requiring loans to be backed by the security of long term charters were often conveniently overloked. A tanker could pay for itself with two round trips to the Arabian Gulf, so who could lose?

noil prices in the mid-1970s, shipowners defaulted.

Even so, many banks got their fingers bhrat on shipping loans and many shipping finance departments quety stopped lending money for new ships.

The surge of interest in

In addition, the shipping climate has recovered smartly.

In the Atlantic grain trades, for example, rates for 55,000 Among the smaller sizes of liquified natural gan carriers tonners sailing between the U.S. tankers, such as the 80,000 cost even more.

When the shipping market collapsed, after the sharp rise bankers ran for cover. Interest payments on shipping loans started to dry np. Banks were forced to roll up interest pay-ments into additional loans and

Fortunately, most banks were involved in shipping finance as they were in the property fremarket. West ships and the property fremarket. market. Most ships are built with the help of subsidised State shipyard credits; so the full brunt of the fall in ship values was felt by the various State credit agencies.

Over the last year to 18 months, however, banks have begun to reappear in the shipping market. Some, such as Citibank, Chase Manhattan and National Westminster never stopped lending money for ships during the recession. But the nucleus of professional shipping bankers is once again being swelled by newcomers eager to find profitable new business.

financing shipping is not hard to explain. With spreads in the euromarkets for prime credits still hovering below half a per cent above London interbank offerred rate (LIBOR), bankers can earn 11 per cent above LIBOR on shipping loans. Maturities of seven years are no longer than those typically found in the euromarkets.

especially in the dry cargo mar-

been even more impressive. The rate for the standard voyage between America's Hampton Roads and Japan has doubled over the last months to \$28 per tonne. The upturn in dry cargo freight rates has had a tremen-

from \$12 per tonne to \$19 per

tonne over the last year. In the

coal trades the improvement in

dous impact on second hand ship values. In 1978, for example, five-year-old 50,000 dwt bulk carriers were chang-ing hands at \$4.5m and 10-yearold bulkers were being sold for \$2.25m. Today, the current second hand prices for five and 10-year-old bulkers are \$17m and \$12m eacb.

The jump in accond-hand values has swelled the security of shipping companies and meant that they are now in a position to gear up with bank finance and buy either new or second-hand vessels.

Depressed

At the moment the dry cargo markets are providing reason-able rates of return and ship-owners should be able to put finance together without too much trouble.

But the picture is not so bright in the tanker market where rates for Very Large Crude Carriers (VLCCs) have been depressed for many months and look likely to remain depressed until the midremain depressed until the mid-1980s. The combination of a the total annual investment in tremendous surplus in tonnage plus a downturn in demand for oil has meant that many of the A second band VLCC, for world's super tankers are not example, costs close to \$30m. breaking even at current and a new 120,000 dwt bulk car-

freight rate levels.

Gulf and Europe have risen tonners the demand picture is much healthier. The considerable increase in oil trading because of the fragmentation of the oil markets has given much greater scope for smaller and more entrepreneurial operators, many of whom use the smaller tankers because they are more

> It is against this background of a sharp improvement in both dry cargo freight rates and

finance market. So far the upturn in the markets has not led to a speculative

The sums of money involved ine sums or money involved in the shipping industry are huge. Oceanic Finance, a specialist ship financing company, recently estimated that \$120bn was spent on new ships between 1970 and 1978 and an arrows of 1970 and 1978 and an average \$15bn per annum will

be spent in the early 1980s. On top of this sum, considerable amounts will be spent on second-hand sbips. Lambert Brothers, Hill Samuel's ship-broking arm, recently estimated that just over \$70n was invested in second hand tonnage in 1979. At a conservative estimate, at least \$5bn per annum will bave to be spent on aecond-hand ships ships to \$20bn plus.

Ships are bulky investments. rier costs \$38m. Sophisticated

Very few owners are finan cialy strong enough to buy ships outright and most of them have to rely heavily on bank finance.
With new ship orders, owners have recourse to very substantial amounts of cheep fixed rate finance normally up to 80 per cept of the ship's value. The rest of the finance is usually provided by the shipowners themselves or by a curo-

currency loan: With second-hand ships the problem of finance is less straightforward. For a start there are no state shipbuilding credits and the finance has to be provided either by the shipowner or the banks.

their , recent periences the latter are looking for considerable security and second-band ship values that lnng term chanters which should the world's bankers are being cover the interest and debt tempted back into the shipping repayments during the life of the loan.

One of the main problems now facing shipowners is the shortage of fixed rate finance for second-hand ship purchase. ordering binge and though there is still considerable overcapacity in the world's shipyards, bankers are boping that the current climate will not spawn another shipping slump.

The considerable overfor second-hand ship purchase. High rates of inflation in places like America and the UK, have made financiers wary of providing fixed rate debt.

Allowances

With new ships, the banks and other financial institutions are bappy to offer leasing deals since they can take advantage of the tax allowances on new capital investment. However, such allowances are not avail-

able on second-hand ships. In the past, a few shipping companies have managed to tap eurobond market for fixed rate finance but this has been the exception rather than the rule. Most bave bad to rely on the hanks for finance and there are grounds for believing that the strain is beginning to

Considerable efforts are being made to find new sources of finance for shipping companies supplement the traditional reliance on bank finance. Shipi have lives of np to 20 years and ideally ahipping companies would like to finance their

vessels for similar periods.

The banks can provide funds for up to 10 and possibly 12 years at a pinch but even so this la not long enough for some shipping companies. One solu-tion would be to attract the long-term pension funds and insurance companies into the field of shipping investment.

They already earmark subatantial sums for property since It offers long term capital appreciation and a similar sort or case could be argued for ships. With inflation running at double figures the newbuilding costs of ships are doubling every five years. Although the market is far from perfect, second-hand ship values should roughly keep pace with inflation

Another solution to reduce the dependance on the commercial banks would be to set up specialist ship financing agencles similar to those found in Germany and Sweden.

Finally, private investors could be encouraged to invest in ships by altering the tax laws. In Scandinavia, for instance, individual investors bave for a long time been important providers of capital for ships.

BANK INCORPORATED UNDER PUBLIC LAW

Capital Funds and reserves Lit. 299,516,372,884

Total cost demands special terms

THERE IS a growing belief among bankers that demand for project finance is rising.

High interest rates and the recessionary forces gathering over the world economy are the trend remains upwards as capital needs associated with new commercial investment continue to grow drama-

Merchant and investment bankers make oo booes about inflationary pressures. Economies of scale are increasing and technological change is rapid. But sheer cost has now risen to the point where many new investment undertakings are beyond the means of traditional direct financing.

Project finance is one of theae conveniently broad labels which cover a wide field of financing services. One prominent U.S. investment bank sees it asfinancing which project sponsors choose to segregate from the assets and general purpose obligations of their

tional financing, through balance sheets and credit ratings, is made redundant by size and

Sponsors "

This is the purist's view, however. The term project floance tends to mean different things to different people, and there is a sizeable gulf between the extremes of definition. Some banks will apply the term to any targe contract. Others are more precise, linking credit support with both spoosors and beneficiaries of a given project. Bot whatever the definition

the stakes are invariably high. Over the past decade any number of investment organisations have clambered aboard what has at times semed a con-siderable bandwagon. Single project load requirements often extend into the billions of poonds price range and competition for a alice of the action is fierce.

The major competing forces in terms of banks form three fairly neat camps, international commercial banks, merchant banks and investment banks which are mostly American.

The international commercial banks tend to be the quickest off the mark. Their integrated world-wide branch networks and vast armies of agents in the field allow them a head start when it comes to learning of potential business and leveloping lines of communication.

Only a bandful of U.S. comnumber of European institutions have shown an ability to reoder fully fledged project floance services. But once a project bas been structured the bank involved in the initial in its choice of forms of part-"financial engineering" can nersbip if it is to preserve an take its choice of commercial banks prepared to put up loans. First Boston this matching of in a variety of currencies. demand with supply is helped.

PROJECT FINANCE

JEFFREY BROWN

The merchant banks, like the investment banks; have bad to focus their efforts on a more specialised project finance service in order to compete effectively with the commercial banks. Without the financial backing to act as leaders, the merchant banks are baving to develop more fully their role as advisers and agents.

The merchant banks in the UK have carved out a niche for themselvea in the area export credits, thanks partly to their links with an active state. backed export credit guarantee organisation, the ECGD. More recently they bave begun to move into international export credit biddiog, taking atrength business from their historic presence and In other words, project strong links with Common-finance steps in where conven wealth nations.

But perhaps the most specialised of all operators are the U.S. investment banks which in recent years have concentrated their efforts more closely on joint ventures capable of being at least partly financed through the U.S. capital markets. Many have developed into specific areas, notably mining, iron and steel, oil ond gaa and other energy related industries which have come to rely heavily on project type

There are a number of other institutions in the field. Some construction and engineering companies offer a project finance service, largely as an adjunct to selling their basic engineering services. . Some consortium banks are taking a hard look at project finance And a number of multilateral agencies have shown signs of exploring ways of packaging their financial involvement in this way.

Among the major U.S. investment hanks, First Boston was one of the first in the field. Its Project Finance Group which claims to be the largest and most experienced in the investment banking industry, is currectly engaged in projects which heve aggregate capital requirements of more than

The bank starts with a feasibility study to determine the viability of the project. A financial analysis of the concerns of potential lenders is mercial banks and a similar. Tun through a computer model, First Boston advises botb public and private sector sponsors. To satisfy diverse legal, tax and accounting con-siderations it has to be careful

efficient flow of financing. At

demand with supply is helped

by its links with affiliate bank, Credit Suisse First Beston. The financing plan will

interim or coostruction period financing as well as permanent financing. will also be provision for financing unexpected costs or any future expansion that the project may plan.

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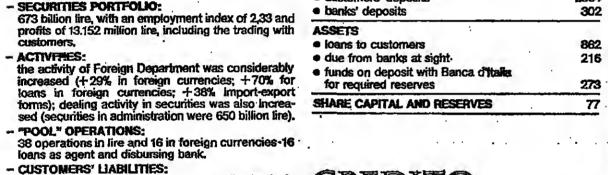
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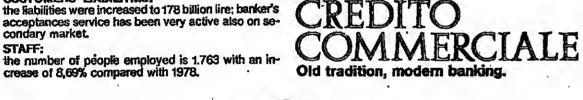
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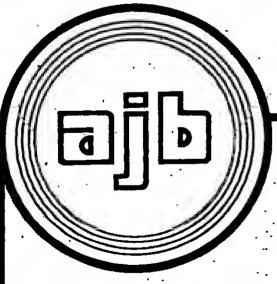
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فكنامن الدميل

Multinational Corporations and their needs

Aiming to optimise customer service

IF THE treasurers of multi- units of the same bank, the to maintain continuity or sernational corporations are not trend bas been for banks to exactly langhing all the way to establish the bank, at least part of the teams assigned to identified reason may be that the banks clients, who mediate all contact are more willing to come to

International corporate banking is a competitive business, the more so with the increasing sophistication of corporate treasurers over the last decade. who can determine their bankmajor banks competing to provide the service.

Few multinational choose a bank for sentimental reasons. "There is no cosy relationship with any one bank now-days," says National Westminster Bank international division general manager Mr. F. G. Bennie. "There is no reason why we should suppose because we bave ic relationable t business should come our way."

Elegant,

Bank marketing is a fine and reports contain so elegant an element of hard sell in the review of the year's activities as those of the international

The implication ahould not be seen as pejorative: the banks have proved themselves willing and capable in adapting their structures to optimise enstomer

But the name of the game is foresight: to anticipate areas in which actual or potential clients will need finance, and what kind hev are likely to choose; to follow industrial trends at a more fundamental level, and sitocate resources appropriately. and to offer an organisational Here, the interesting trend is attractively with the corporate client's image of its own

developing structure. Perhans the major trend in orporate banking over the last 10 years, recognised to have been developed by the major American banks, has been to. rotionalise relationshins with clients. Instead of a "girl in every port" system, where the needs of a multinational cornecountries by separate regional structure. Despite our efforts munity, VW financed a massive its traumatic experiences in the demands. It uses local banks

account-executive and co-ordinate all services.

Such a system was adopted last year by U.S. based Bankers Trust. It established a world corporate department enbance the bank's ability to will serve multinational corporationa who can determine their bank on a global basis. A Trust ing requirements and then see spokesman said: "Formerly, the anything from three to a dozen custnmer was visited by several different people with different specialities, which could be a bit wasteful of thec ustomer's time."

Under the new system, the bank's relationship with the multinational corporation is the responsibilty of a "relationship manager" headquartered along-side the client.

 Account officers are attached to major client operating units, reporting back to the relationship manager.

"We try in take a look at where decisions are made in the customer grouping, and devolve nur responsibilities to what the custnmer's needs are," says the

spokesman. In the case of, say, the Ford Motor Corporation, a relation-ahip manager would be in the U.S. But with major European decisions made in the UK, the London account officer would bave a proportionstely high share of responsibility, under the supervision of the raltionshin manager.

One of t bemost sophisticated self-analysers among international banks is Citicorp.
Its world corporation group

was established in 1973, to give corporations a "global perspec-tive in financial servicing." Hhis year sees a further reorganisainvolving what it calls business consolidation." towards a re-integration of corporate services,

banking unit until that company matured to a certain size, or added overseas operations, an item listing more than or divested its foreign subsidi- DM 4.6bn loaned by VW to the aries, or otherwise re-structured

closely fits our compartmental

vice during such reassignments,

What were formerly Citicorp's world corporation group, interestical banking group. and national banking group bas been integrated into the institutional banking division, which will "serve all corporate customers on a sonsolidated

basis" in the 1980s.

Globalisation has accepted to s varying degree by the interoational arms of the British clearers, with s pragmatic approach and a recognition that much of the banking expertise and authority remains centred in London. Interestingly, though, Barcleys

is considering substantial restructuring of its international corporate banking operations. The bank is not discussing the possible outcome, but it seems a reasonable

INTERNATIONAL BANKS

ROBERT COTTERELL

would be for Barclaya to formalise s globslly-orientated The first fruits of

Midiand Bank said: "We look tralised, with all the decisions taken in New York, we may ultimstely decide that the account executiv eshould be in New York," says Mr. David Hanson, regions! director at the Midland's internstional division.

surmise that one likely road sions with aervice departments, outstandingly the banking division.

"We have a well developed current discussions could be internal information system. seen by the summer. and executives responsible for major identified customers. The first at the structure of the account officers co-ordinate the multinational, and how cen-business of the bank worldwide with a view to avolding conflicts of interest," says an LBI says an LBI

beyond regional and global stratification, is taking root in fidland's internstional division. the sbspe of industry-related Lloyds Bank International is units. The growth of the off-ased on "geographical divisione oil industry helped to

needing specialised knowledge where limited known for a particular "joh" recourse financing was sought or a particular industry, where highly lucrative projects.
The Midland has teams

specialising in oil and energy. aerospace, and shipping finance. Chase Manhattan is boilding up its specialist teams to cover argues Mr. Hanson.

"I haven't yet seen the need for specialist expertise in all industries. You shouldn't have to get immersed in the running of a business to understand it"

be says.

It remains to be seen whether, against another, and switch on

develop this approach, with the a daily or even hourly basis, management. With banks will have to become for speculative but potentially one will bave a dominant highly lucrative projects. seeing other areas of its ser-

vices eroded. This is "department store banking, where every-body seeks to provide anything and everyultimately about s dozen in dustries. But industry structuring is likely to be valuable serving any purpose either in only a few, relatively the general relationship or on the bottom line, and you may meal close it down. The banks will probably do that,"

says one English clearer.
The Midland takes a more bullish view. "The cake's pretty large," says international division assistant general manager, Mr. J. Christopher Wathen The area of service develop-

with the shillty of corporate ment now occupying both hanks treasurers to plsy off one bank and corporate treasurers is that

rates recently at historic highs, more strongly on getting money in and out of the right place

quickly While both sides see the value of cash management, there is a feeling in London at least that in credit matters banks have recently begun to hold their own once more against corporate demands for longer loans on ever-finer rates. Loan maturities bave in the

lats few years crept forward from a typical maximum of seven towards ten and 12 years. After the winter months, months of political uphesval, the hanks are rolling back loan maturities, while at the same lime demonstrating an increasing reluciance to grant to subsidisries of multi-national companies the kinds of fine terms which the parent company

Car giant able to call the tune

"THE COMPETITION to lend money to us is deadly," says money to us is deadly," says DM 3.1bn—up from DM 1.9hn Herr Gunther Borchert, the in 1978—almost exclusively man responsible for maintain from its own resources. As man responsible for manual ing the myriad banking relationships around the world that expenditure was covered by the group's cashflow. are vital to the daily business life of Volkswagen, West Germany's largest car manu-

As one of the Federal Republic's leading blue chip companies VW can afford to be chonsy in selecting its banking partners, and the problem facing most banks is bow best to stand out from the pack in order to obtain a slice of the car giant's business. Such is the strength of the

"As previously organised, VW balance sheet that in some Citicorp served a particular respects it looks more like a corporate client through one bank than a manufacturing. company. The balance sheet includes

banks and VW's interest esrnings have become a significant "At that point our client contributor to the group's might be reassigned in a different banking unit where it more Last year, no doubt to the frustration of the banking com-

or financia

investment programme ef some

This is a huge advantage for Volkswagen, at a time when interest rates are sa high that they prevent some companies early 1970s. from raising long-term finance, "In 1973-74 I needed money from raising long-term finance, Professor Friedrich Thomee, the company's finance

Strength

long way in dictating its relatinnships with its bankers, and Herr Borchert, himaelf a former banker, admits that be Is a little concerned at the way some banks will cut their rates of services, basing its decisions to the finest margins to win

VOLKSWAGEN

KEVIN DONE

on the conditions.

from penple, but now I must bave banks where I can deposit," he says "You can borrow from anyone, hut you must look at the quality hefore you give someone money. I The strength of VW's finan- want to aleep peacefully and cial resources clearly goes a I need to be 100 per cent sure that I can get the money back." In general Volkswagen does not concentrate its banking contacts on one or two "house banks," but is open to any offer

company has recovered from make to meet the production day in the D-Mark area alone. Its fraumatic experiences in the demands. It uses local banks VW also works with many

for the mass of daily payments, cash husiness, documents and wsges payments to the workforce.

With its major German works at Wolfsburg in Lower Saxony, only a few miles from the border with East Germany, VW inevitably bas particolarly close links with the local and regional banks in North-East Germany. The company has 15 account connections for this regular daily business, but only about g eight play any Important role.

For a concern with annual sales of more than DM 30bn VW business.

For the mass of its regular and a world-wide workforce of daily business, however, VW around 240,000, the sheer services VW demands of its clearly has a set of much more volume of daily money transbankers has changed radically in the last five years as the impressments its banks must from DM 6.5bn to DM 25m every

foreign banks which bave posed to use local hanking ser-branches in the Federal Repub-vices even where those are lic snd makes no fundamental distinction betwen domestic and foreign partoers, It does try to follow regional priorities, but says it depends on the condi-tions.

On the international front VW is in the middle of an ambitious overscas expansion programme centred on important acquisitions in South America, plans for a second plant in the U.S. and the entirely new field of office computer technology.

Domestic

The group's financial policy is steered from the centre in Wolfsburg, "but within the realm of possibilities we try to have our bank activities in the place where we have our bank activities in the place where we have our business, in other words with domestic banks," says Herr Borchert.

VW will resort to-other markets only when finance is not available locally.

more expensive, because the company argues that any move markels carries heavy exchange

In Braxil, VW's use of local banks is also a way of helping local dealers in their own banking relationships, Major foreign investment

decisions are made in Wolfsburg, and in 1977 VW founded Volkswagen International N.V. Amsterdam and Volkswagen Overseas Finance in Curacso the Dutch Antilles to add flexibility in the financing and holding of share interests in other foreign companies.

Such are VW's meagre out side financing needs that its last resort to the bond market was three years ago with a \$150m issue managed by Deutsche Bank, Schweizerische Bankesellschaft and the Union Bank of Switzerland.

Despite the rapid expansion of the German banks overseas in the last decade Volkswagen still favours local banks in Foreign subsidiaries are sup- foreign markets, although Ger-

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Another facet of Pierson's international expertise is corporate and private trust. For 25 years our Curação bank has specialized in helping clients internationalize. Other trust offices are in Luxembourg, Zurich, Bermuda, Guernsey and

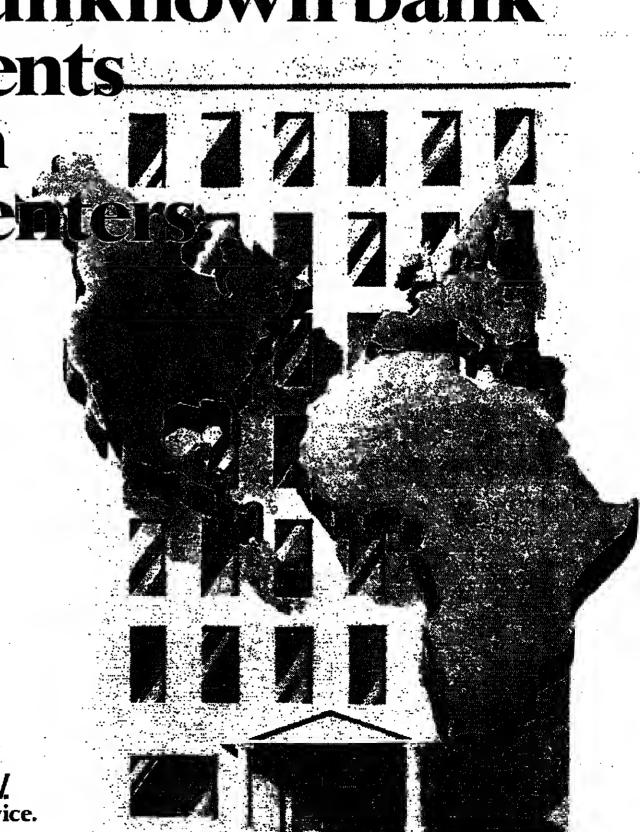
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All cash controlled from London

I DON'T think three hundred or so hanks is excessive. If we wanted, it could be three, four,

five times that number. widely from the London Millhank office of Mr. Cyril Crowe, treasurer of Britain's Imperial Chemical Industries (ICI). Those three hundred banks with which the group regularly deals were involved last year in the handling of £385m of liquid assets and £246m of short-term borrowings, with group loans Crowe totalling £1.145hn

2 Our cash resources ara centralised. The group is organised from here," says Mr. Crowe. "In Australia and Canada [where ICI has large quoted subsidiaries] there is considerably greater day-to-day ndependence than for somebody in Rome or Paris. We supervise bankug relationships. Companies aren't going to open and close accounts without our

Operating units do not bold cash, all the cash is centralised.
They sell the goods, we collect
the money. They want raw
materials, we pay for them.
They have a bank account for local wages. The UK is very tight, nd other parts are pretty tight. If in France or Germany they want to change banks, they can't do that without our agreement. We take into account oversil relation-ships. Banking and finance are responsibility of myself nd my team here. It's not open to operating units in general to et up relationships.

Mr. Crowe oversees a team which makes policy decisions about optimal credit and deposit needs, and an in-house dealing room which implements day-to-day cash manage-ment. "We operate as does a deling room within a hank, but

IMPERIAL CHEMICAL INDUSTRIES

ROBERT COTTERELL

on a smaller scale," says assistant treasurer Mr. David Nsh.

P We get quotes for foreign exoverdrafts, banking and bills," says Mr. change.

increase this year, says Mr. Crowe. "There is a choice how far the group borrows longer term, and bow far it runs down cash. In the last two or three years the banks have tended to lend for longer and we've the would dream of ringing up to increase this year, says Mr. Crowe. "We never ask for advice interms of economic predictions. Nobody here would dream of ringing up lend for longer, and we've take nadvantage of it to estab-lish long-term financing separate from the hond market. They're willing to commit themselves to seven to ten yers, where in the past they would have said five to seven.

Syndicate

"If we borrow on floating rate, we go to several banks to see what sort of spread there is. If we decided for our various reasons that we'll meet requirements by horrowing from a hank guided as at all. There was on a ten-year floating rate, then not a lot to contribute. We invite the banks to quote, and choose on a competitive basis just like quoting for forex. On a public issue bond, we appoint a syndicate. We use leads for the type of market. In Switzerland, we use the hig three in rotation. On Germany

there are three we rotate."

There is no shortage of banks for ICI's custom. "It is such a competitive market. There are "Where hanks assign to a

banked. We try to maintain the

consciously over-banked." Its high level of in-house expertise gives ICI something of an arm's length relationship with its bankers in non-credit affairs to any autside organisa-tion." says Mr. Crowe. "We never ask for advice interms of economic predictions. Nobody here would dream of ringing up for an economic forecast for 1983. We have our economic

department. A lot of banks send us things. Quite a few send us survey data that we read, some good, some not. But we don't ask advica from them, it's not ICT's policy to pay for good-service." When exchange controls were lifted, says Mr. Crowe, "We were aware of the possibilities

of what we could do, so I don't have people whose job it is to do those things, we'ra not like the small trader doing husiness but not looking at the financial aspects. I don't think the hankers would think they could tell us much in that area. We have some made a determine the some made a determine the some made and the some made a were aware of exchange con-

one or two special cases, we would not recken on them ledge of the industry. We don't mind whether those chaps are there or not. They do it for their own protection. They want to know what the true economic risk is on a proje But we don't have any limited recourse financing."

"If you take an overseas country," says Mr. Crowe, "usually in the first place we use a locally established bankto handla most of our ordinary trading transactions. That doesn't rule out the overseas hranches of U.S. and UK banks."

In the main, local banks overseas provide "local current; loan finance, we'd usually need to turn to international banks. ICI as a multinational expects not ICI's policy to pay for to bave links with the major advice from banks. We expect multinational banks, whether they are British, American, Continental or anyone. They are no less multinational than we are."

banks in London over the last 10 to 15 years hrought more were more aggressive for a while, hut I wouldn't like to say wouldn't say they were sharper hut some made a determined partly for the Euromarkets, and partly for American companies with UK subsidiaries. certainly far too many banks," company account staff skilled in they're out to get connections says Mr. Nash. "The problem the particular industry, they do with British customers, as are with ICI is not to be over- so hecause "it's convenient to UK banks in the U.S.".

Commercial paper wins

A cursory glance through the annual report of the giant consumer prodotts cor-poration Philip Morris it would be hard to resist the conclusion that the company is the sort of client commercial dream about.

One of the fastest growing amongst the largest U.S. corporations, Philip Morris has seen its sales revenues surge from \$1.1hn in 1969 to \$8.3hn

bankers point of view this growth has been accompanied hy a dramatic increase in the company's needs for short-term credit. This stems in part from the nature of its husinesses, particularly the most rapidly growing segments of diversified operations.

The hulk of its husiness remains tobacco, which last year accounted for 64 per cent of sales revenues and 32 per cent of total operating profits, which hit \$1.15bn in 1979.

The growth of its tohacco operations has been underpinned hy its pbenomenally suc-cessful "Marlboro" brand. This growth has, bowever, resulted in heavy reliance on short-term debt to finance stocks of leaf

Its other businesses, including the Miller Brewing divisioo, are also beavy users of short-term credit. Indeed, in an address to a hanking conference in Richmond, Virginia, in March, Mr. F. Harrison Poole, the company's Treasurer, estimated that Philip Morris's short-term credit requirements, which fluctuate widely according to seasonal influences, could peak at between \$800-900m.

Here then, you might imagine, are many of the ingredients which would make Philip Morris a bigbly attractive lending proposition for bankers.

A large and secure multinational company, growing
rapidly and with heavy shortterm financing demands of a
kind which do not lend them-

selves automatically to funding in the long term hond markets. The reality is rather different hecanse the company chooses not to depend on banks for short term finance. As Mr. Poole points out: "Ahout the only way we horrow is from the

PHILIP MORRIS

STEWART FLEMING

Philip Morris is one of the dozens of large U.S. companies which over the past decade have steadily cut hack on their horrowings from commercial ing rate and instead funded themselves in the rapidly expanding U.S. commercial paper market, where companies and financial institutions such as insurance and pension funds, lend directly to each other.

In 1975 commercial paper outstanding totalled \$48m. By Fehruary of this year it had reached \$116bn and a growing proportion of this credit ontstanding was to non-financial companies like Philip Morris which bave been finding it cheaper to raise money in the commercial paper market than from their bankers.

Indeed, as the prime lending rate at commercial banks surged to a new record of 20 per cent in the past few months, major companies were still able to get funds in the paper market at

around 16 per cent.
Mr. Poole points out, for example, that last year shout 98 per cent of his company's shortterm debt was funded in the commercial paper market, which he estimates saved the company \$14.6m in interest expense com-pared with borrowing from

The heavy use of non-hank sbort-term finance daes not mean that the company bas tenuous links with its bankers. Its commercial paper must be backed up with the customary bank losn commitments, which help to reassure investors in the commercial paper market about the market's underlying stability.

Phllip Morris has some 78 line banks providing hack-up lines in return for commitment fees, of whom 14 are now major foreign banks. Mr. Poole says it is important

to the company that the hanks feel their relationship with the company is profitable to them and that the banks are properly

compensated for the back-up facilities they provide. The importance of their hanking relationship was illustrated in 1978 when Philip Morris commercial volved. providing

point is clearly a much less rewarding business to the banks than lending millions of dollars of short-term credit to a major Philip Morris's bankers do of

paper back-up lines of credit in return for commitment fees of

course provide other operating services for such things as payrolls, cash management and helping with foreign exchange exposure management, although as Philip Morris Mr. Poole points out the banks for tem-Treasurers Group within Philip porary hridge finance for its Morris plays the primary role in \$500m acquisition of soft drinks this area of the complex tax, producer Seven-Up, legal and accounting issues in

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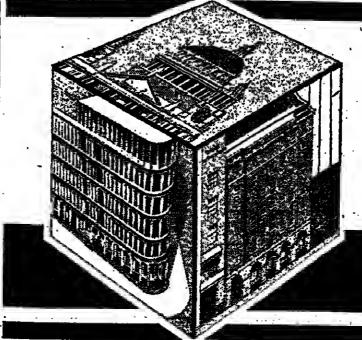
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The remaining pages of this part of the survey carry articles on the experience of the banking systems of the major industrialised countries of the Western world.

Radical effect of

for savings deposits.

more than hanks on

\$740bn

deposits the thrift institutions, whose assets total around

\$1,300bn for the commercial

amount to cheque accounts. :

It is also hoped that the assets

fixed interest long-term loans,

wili be strengthened by a new regulation of the Federal Home

Loan Bank board which will

facilitate increased variable rate lending.

facility means that in 1980

many savings institutions will suffer heavy losses and some

will probably fail because the

day-to-day cost of their money has risen above the fixed rate

tackled a similar problem for

States laws limit the rate of

ioterest banks can charge on

and mortgage loans, and in some states even business loans. This

has resulted in losses to ome

banks as money costs in the

legislation bas also

particularly - consumer

on the bulk of their loans.

commercial banks.

The relative absence of this

compared with over

loans and offer what

the past three years has pitched the U.S. banking system into a period of rapid change unprecedented since the aftermath of the Great Depression. It has fostered the growth of competitive institutions, ranging from the commercial paper market to money market mutual funds, which have mounted an intensifying chal-

lenge to the hanks for lending business as well as for deposits. It has provoked the Federal Reserva Board, the central bank, into increasingly strennous attempts to curb monetary growth in an effort to hring inflation uoder soma control. efforts which helped drive up the rate of interest hanks charge their best customers to t record 20 per cent in March.
After three years of fruit-les debate in Congress inflatim was one of the main forces which finally helped force a political coalition dedicated to reorming increasingly anach-roistic banking regulations.

That coalition achieved its objective in March when President Carter signed the Mone-tary Control and Re-regulation Art, which has been described the most far reaching reform d the U.S. financial system of the past 50 years.

With the important excepfion of laws which limit com-mercial banks to operating in a single State, the legislation addressed most of the major regulatory issues, which bave been thrown into sharper and sharper focus by accelerating

A fundamental one was the threat to the status of the The bank itself. Reserve System had een steadily losing banks from voluntary membership as UNITED STATES

STEWART FLEMING

they increasingly baulked at or money market mutual funds the mounting cost of keeping for savings deposits. non-interest bearing reserves with the central bank. By requiring all financial institu-tions—thrift institutions such as savings and loan associations; mutual savings banks which finance private house purchases; and the 15,000 commercial banks, to keep reserves with the central hank against transaction accounts the legislation has removed the incentive to quit the reserve system and underpinned the status of the central hank and the infinence of its monetary policy.

Threat

Beyond tackling this specific and threatening problem, the Act promises to shift the competitive balance between dif-ferent types of financial institution with the declared objective of seeking to equalise competition by removing dis-

torting regulations. It is proposed, for example, to remove over a period of six years the regulation, which establishes ceiling on the rate of interest which can be charged on deposit accounts.

This change should result in individual bank and saving institution depositors being paid a fairer rate of nterest for their funds. Bu it will also help the banks and thrift institutions to compete more effectively with such rivals as the bond markets bove usary ceilings. Whatever the longer term

implications of the new legislation (and there may be more to follow if the three main bank regulatory agencies spe-ceed in persuading Congress to approve new laws to ease the rescue of troobled financial institutions), it is clear that in the short term the U.S. bank-lng system is facing some In return for the elimination f their privilege of being rather different, but no less formidable challenges. allowed to pay savers } per cent

The Federal Reserve System's savings anti-inflation measures, includ-ing both the rise in short term interest rates to undreamt of peaks and the "voluntary" 6-9 per ceot limit it has put on hanks, are to be allowed to invest up to 20 per cent of their assets in such things as concredit growth for the banks, are destined to make banking difficult business over the

next year.

It is becoming more and more likely that the U.S. economy sida of the savings institution balance sheet, which has suf-fered from a preponderance of will tip into recession and aoma banks are alresdy heginning to increase loan loss reserves in anticipation of problems among some of their customers. The rise in interest rates at tha short end of the market bas made it more difficult for hanks to manage their liabilities.

This is one of the factors which has contributed to a a weakening in bank profit growth in the past six mooths.

Further weakness may lie ahead if leading growth is constrained by Fed policy and that would put bank capital-to-asset ratios, already at historically low levels, under further pressures.

A big question marke hangs over this area, bowever. If, as money market economists maintain, many companies oo longer have access to the long term bond markets hecause of lenders' fears about the uncertain inflation outlook, it is possible that hanks could he faced with hurgeoning demaods for credit from corporate customers which will hring them ioto direct conflict with

Fed policy.

There are fears too that if the U.S. haoks do hend evely effort to meet Fed guidelines the foreign hanks, which have already carved out some 10 per market, will be able to increase their penetration now con-centrated in New York and Illinois. The Fed has written to foreign central banks seeking assurances that they will restrain their hanks from taking advantage of U.S. policy.

The foreign hanks have, how ever, been put on a more equal footing with their U.S. rivals, assuming the Fed's new credit restraiot programme equitably.

Net income (\$m)

	9]]

BANCA NAZIONALE DELL'AGRICOLTURA

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AMERICA'S LEADING BANKS-(eod-year position) Total assets (\$bn)

	1010	1910	1010	2010
Bank of America	108.4	94.9	600.2	514.2
Citicorp	106.4	88.2	544.0	482.0
Chase Manhattan	64.7	61.2	311.2	197.2
Manufacturers Hanover	47.7	40.6	211.3	181.7
J. P. Morgan	43.5	38.S	288.1	257.3

Wary eye on foreign challenge

DESPITE ITS reputation for being the banking capital of the world, the City of London often seems very much the preserve of the traditional British banking institutions.

At the top of the pile ln sheer size, if not in excitement, are the private commercial banks: Barclays, Lloyds, Midland and National Westminster. Size is less important in the

field of merchant hanking. where some of the best banking brains in the City are concen-trated in a handful of names like Warburgs, Morgan Grenfell, Schroders and Kleinwort Benson. These banks are among the principal members of the Accepting Houses Committee, a

long-standing City club. A third group of banks is the discount houses, the highly specialist intermediaries tween the authorities and the banking system, whose whole business is hased on discount-

ing bills of exchange.

Overseeing everybody, includ-ing foreign banks and all institutions designated as deposittakers, is the Bank of England, the central bank. Not so lon gago the commer-

cial banks, known in the City as the clearers because of their membership of the London clearing bouse, were simple short-term lending institutions and deposit-takers. This has changed over the past few decades as the clearers have hecome involved in medium-term lending to British industry, and have diversified their activities in a multitude of financial aer-

Apart from the traditional finance houses, the largest of which are clearing bank owned, the clearers are now involved in leasing, factoring, merchant banking, and an increasing ranga of personal financial services. They dominate the personal banking market, but have lost almost a third of lending to British manufacturing industry to the foreign banks, mainly the

In retail banking there is no significant equivalent to the German savings banks. The Trustee Savings Banks, about 18 in number, bave only recently been allowed to move away from collecting deposits for the Treasury, while the building societies—though now the dominant collectors of personal savings—have yet to venture

into banking services. Because of their vast size, the London clearers are rarely out of the news. Over the past year they have had far more Press attention than they would like because of an unprecedented profits bonanza: increases were reported of between 70 and 90 per cent in domestic pre-tax

Almost all of this was the now, result of the Government's high. Suinterest rate policy. So while likely the clearers were not having to pay anything extra for balances left interest-free on current account, they were able to charge customers rates in excess

of 20 per cent. The profit figures have account means that there is still beened up many of the old a vast population of around 11m debates about the UK banking people to tap.

UNITED KINGDOM

MICHAEL LAFFERTY

system. Even the Conservative Government was forced to concede that some form of special taxation might be appropriate for the clearers, though none has yet been announced.

The Bank of England, acting in its non-Central Bank role as protector of the participants in the banking system, has argued that the extra windfall profits needed to maintain the

capital adequacy of the hanks. The debate over the clearers' profits has developed into a discussion about their efficiency. On the one hand, the profit-ability of the banks is generally said to be among the best in the world—even in bad times. On the other, the esteem in which clearing bankers are held

in the City is not the highest. Allied to this is the fact that the British hanks have lost such a large share of their domestic industry lending to foreign hanks, while they have left the sonal sector little more than half banked.

The question that is now being asked is whether the clearers are so comfortably placed that they cannot halp making mooey, with the result that they have little incentive to tackle new markets.

Blessed

The London clearers are certainly hiessed in having a customer base which insists on going on leaving large interestfree balance on current account. The same is not true in Scotland where bank customers make far more use of deposit account. On the other hand the centre-place of their service -and there is ilttle difference from on bank to the next-is. the current account.

So If people want to enjoy normal banking services they either borrow money at a margin of 3 to 5 per cent over bank base rate, or else leave at least sufficient fuods on current account to make aure that they never go into the red.
One of the Loodon clearers,

Midland, has recently indicated that it is considering paying interest on current account. Doing so would involve a considerable shift in the pricing structure for bank services, and might well involve a major shift in the policy of cross-subsidisation which all the clearers have applied up to

move is much more likely to be used as a marketing strategy, and there is plenty of opportunity for marketing personal bank services in Britain. The fact that at the very most only 60 per cept of the adult population has a bank current

This opportunity has not escaped the notice of foreign banks. Over the past year both Citibank and Bank of America have-indicated new plans to expand in the UK retail banking

B of A is starting off on the deposit side, by offering higher rates on term deposits than the clearers, but Citibank would like to convert tis UK finance house into a fully fledged personal bank with current account facilities. Its biggest problem could be acquiring suitable

The clearers are watching Citibank's every move. They know it is one of the hest retail banking operations in the world, and that its plans have worked already in Europe. Another issue on which there

been further developments over the past year is disclosure of bank accounts. This year for the first time the London clearers provided shareholders and the public with some useful figures on their bad debt experience and provisions. As many critics had hlieved, it emerged that the

oss experience seemed to iustify Prudential control, and the extent to which the Bank of England should interfere in bank management, is rapidly becoming a major issue in British banking.

hanks were setting up far higher provisions than their

Under the 1979 Banking Act, which is still heing gradually implemented, the Bank has responsibility for licensing and supervising both banks and other deposit-taking institutions. So far It has banded out recognised bank status to the clearers, the accepting houses. the discount houses and all leading foreign banks. But at the time of writing there is still a large rump of names to be

At the same time the Bank has been introducing the banks to a new prudeotial regime, with discussion papers on capital adequacy, foreign ex-

change exposure and liquidity. The first caused little stir, second angered the banks. but their ruffled feathers were smoothed when the Bank promised to use the paper's proposals as guidelinea rather than limits. The third has sent the banking community as a wbole into a rage.

Accusations of heavy-handedness, lack of experience and threats of confrontation have been uttered by bankers. But the likelihood is that everything will be sorted out over tea and biscuits at the Bank. As one hanker sald recently: "The Eoglish language is remarkable

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in the world and is among the first three

initiate and organize international syndicates, its own vast resources, international flexibility and well balanced sources of funds make WestLB a solid wholesale banking partner for big-ticket finance.

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Due from Customers	19,991
Bonds Issued in Long T Loan Sector	Term 43,404
Lendings in Long Term Loan Sector	44,066
Capital Resources	1,999
Consolidated Profit	95 in millions of DM
Staff	11,966
Branches	486

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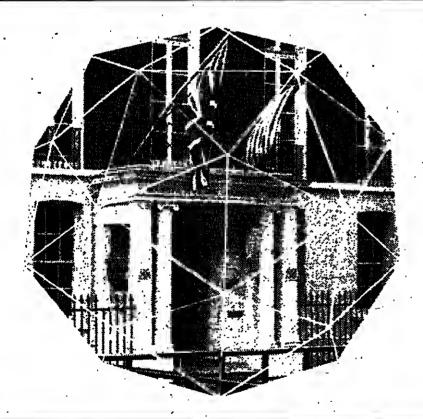
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Intense competition all sectors

WEST GERMANY

IN THE range and density of banking services offered Wost Germany has few rivals around the world. Leading bankers are not averse to auggesting thet the Federal Republic is "overbanker," a reflection that ia especially likely to be voiced now when the banks have just gone through a very difficult banking year and are enduring another, which shows little

prospect of showing much im-

With a popolation of fewer than 62m the Federal Republic plays bost to more than 5,000 banks, which maintain nearly 40,000 branches. Takon togother these institutions had a business volume of more than DM 2000bn £486bn) at the eod of 1979 and competition is io-tense, not only between individual banks, but also between different groups of banks.

The German banking systom differs from its Angio-Saxon counterparts in that it ellows "nniversal" or multipurpose banks, which not only carry out the credit, deposit and pay-mant transection business, but also conduct investment bank-

ing and doal with securities.
In effect this means that undor the same roof one hank oot only grants credits and takes deposits it also advises on sbares and launches now issues, while belping to steer the policie of companies to which it has lent funds and about which its customers sock investment

In terms of importance it is often wrongly assumed that the big three commercial banks, Deutsche, Dresdner and Commorzbank bave a controlling influenco in the West Germen banking sector.

Powerful they certainly areon 0 world scalo they ranked respectively 4th, 9th and 20th in the Banker magazine's 1979 listing of the top banks around the world-but these three have far from the dominating presence of, for examplo, the four big clearing banks in tho

Doutsche Bank, the biggest of the German banks, reckons it hes no more then 8 per cent of the retail banking market and only 4 por cent in doposit-taking. The other two big banks taken together would be doing little

more than the samo again,

Taken as a block the public credit institutions—the savings Taken as a block the public credit institutions—the sayings
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KEVIN DONE

their clearing houses. Despite the density of the present German banking network, a process of rationalisation and consolidation bas heen going on steadily over the last couple of decades.

At the eod of the 1950s there were more than 13,000 banks operating in West Germany with mething ovor 30,000 branches, The number of branches has grown strongly to around 40,000. ut the number of banks bas fallen back to rather more than 5,000 aa a result of closures, mergers and takeovers.

Powerful new influences have emerged en a national basis in form of the biggest regionally based banks, such as the Bayerische Vereinsbank, which bas grown well beyond its original boundaries of Bavaria in e series of takeovers of small benks in different parts of the

country.

At the same time a growing number of foreign banks baya entered the West German bank-ing scene, although none bave found it easy to establish a

Nerve centre

Foreign banks bave managed to achieve only a very small share of the West German banking market so far, and there are no signs that this state of affairs is likely to change in the near

Foreign ... institutions represented in Germany in large numbers - Frankfurt, the Foderal Republic's financial nervo centre, plays bost to 174 intornetional banks, more than any othor city in continental Europe—but this is berdly reflected in the volume of their

The main focus of foreign bankers' problems in West Gormany is the nature of the universal system, which has meant thet oxtraordinarily close ties have built up between the blg domestic banks and industrial companies,

tural credit co-operatives and underlined by recent rescue cases such as AEG-Telefunken and DDG Hansa.

In both cases the companies have been rescuod by massive anpport from their bankers, but there has beeen a sharp reluctance on the part of many foreign banks to become involved. For the major German banks the AEG-Telefunken rescue became aomething of a test of their virility and of the whole private enterprise system as it is practised to the Fedoral Ropublic.

Ironically tho vory strengths of the German universal banksystem which make its vidual institutions so formidablo, have also boan the source of considerable unease in some quarters. The atteck bas centred on two questions. Have the bonks hecomo too powerful and bas tha universal system eroded true competition? Following the dramatic collapse of the Herstatt Bank in 1974 a commission was set up nudor Professor Ernst Gessler to examine the banking system and to determine wbether conflicts. of interest exist.

Tha questions at atake were whether the German banks exercised too much power through their industriol shereholdings, whether senior bankers beld too many seots on companies' supervisory boards, whether the banks used thoir access to proxy votes to their own edvantage, and whether the banks were using their foroign subsidiaries as a loopholo to avoid legal limits on the amount of credit that they could grant.

In the event the commission took o fairly relaxed view of most of these issues belteving that the banks fundamentally would honour their social responsibilities. The commis-sion recommended greater dis-closure of benk's voting prectices and suggested that banks' equity holdings should be no more than 25 per cent plus one share—a minority of the commission would like a limit of

fuelled on the structure of the banking system, it is unlikely to be fuelled this year, at least, by the size of the profits the banks are making. Faced by a determined tight monetary policy from the Bundesbank the West German central bank the commercial banks have found their interest margins

nncomfortobly squeezed. In order to pay an unchanged dividend it had to forego making any payment into its open reserves. Other lead banks also fared badly and in some cases saw their earnings sustained by unpredictable factors such as earnings on gold transactions.

Despite occasional boom years during the 1970s, the banks have in fact suffered some fall in beir overall profitability,

Despite some success in hold-ing down administrative cost, the banks bove seen o declife in the net interest and the net commissions they have received as a percentage of business volme. The overall growth business volume in the 197 has certainly been impressive but this judgment alone on the health of West Germany bank ing institutions could tend to

misleading. The banks have been critic of some of the tactical move of the Bundesbank—especial that it allowed its kay interes rates to fall out of line with the monoy market rates—but in general the hanking community bas supported the need for a restrictive policy lend from the central benk.

Constitution

The Bundosbank, at the aper of the German banking system ls arguably the most indepen dent of the world's major central banks, with its over riding duty of protecting the valuo of the currency written into its constitution by law.

Tho Act which set up the Bundesbank states that it is called on to support the Govarmment's general economic policy as long as, and to the extent that, this support is consistont with its first duty of saleguarding the currency.

For most of the last decade

tho Bundesbank was able to moot its foremost duty with apparontly little effort because tho Deutsche Mark dld little but rise and riso.

por cent. The balance of rather less than 20 por cent is in the bands of the urban end agricul- bands of the urban end agricul- ship with their German bankers Whatever discussion is lised countries.

Central role in economy

FINLAND

FINLAND has seven commercial banks (with 863 branch offices), 278 aavings banks, 373 cooperativo banks, five mortgage banks and three development credit i astitutions. In eddition, deposits from their mambors, and the Social Insurance Institution and 56 private insurance companies engage in lending. This is a remarkably thick blanket of money market services for a population of 4.7m, but perheps not quite so thick for a couotry of such a big area and a clientele that still puts its faith in banking against the rainy day what inflation and the taxmen leave

Banking plays a more important role io Finland than it does io the ecocomies of many other Westorn developed countries. Bank deposits by the public constitute the higgest part of the money supply, and the development of the broad money supply (M2) follows very closely the changes in deposit flow of the banks.

Like the Finnish economy, the banking syste mis mixed, with the private sector predominant. The deposit side of bank trading is almost entirely in the hands of private banks, with only Postipankki competing (Postipankki, State-owned, State-owned. translates unofficially as Post Office Bank. It runs the postal Giro system, handles Stalo paymonts end offors ell the services of a commercial bank. 1 On the crodit side, however, the public sector's rolo has been increasing and State iostitutions now take 40 per cent of the market. The .. Government's steady encroachment on the banking sector is a major concern among private bankers.

Independence

The Bank of Finland, the central bank, enjoys a degree of indopondenco and aothority. rare among central banks in the Western world. So for, it has guordod thia independence zeelously

It is the main docksion-maker on mooetary policy. The central hank is virtually the only source to which the banks can turn for tho funds that they always noed in addition to their deposit holdings to finence trade and industry. It uses this position to regulate lending, tightening or loosening ita supply of credit to the banks as it daems the situation

It bas now complately refurbished the monetary machinery LANCE KEYWORTH

needed for this purpose, making it more flexible and fasteracting, and bringing it into line with international practice. The old and rether cumbersome system of fixing quotas for the commercial banks' borrowing from the centrol bank has been abaodoned. Almost the entire requirement of central bank financing must now be met from the call money market, which is run by the Bank of Finland. There is no ceiling to drawing rights in this market but o bank that uses it exceptionally heavily has to pay a penalty rate in eddition to the going rate of interest.

Io addition, the Bank of Finland operates a cheque account credit system for the banks, entitling them to fixed credit ot the basic rate on interest. The current credit ceiling is FM 1bo (about £119m). The third piece of regulatory machinery is the deposit reserve system. This enables the Bank of Finland to order the deposit-taking banks to freeze temporarily in a special account up to 5 per cent of their deposit stock in monthly steps of 0.4 per cent. In other words, it can cream off excess liquidity when the money markets is too oasy.

About the only instrument of monetary policy which the Bank of Finland cannot use at will is to vary the basic interest rate (also known as the discount rate). This rate bas assumed a politicol charoctor. It is fixed under law by the Parliamentary Bank Snporvisors on the recommendation of the board of man agement of the Bank of Finland. In fact, while there is little difficulty about lowering interest rates, any attempt to raise thom causes a political storm.

The basic Interest rate was lowered twice during the recent recession to bolp in moderating union wage demands but hoa now been restored to its old level. The upword adjustments were only achieved, bowever, by a politically enforced baloncing act involving simultaneous adjustments to the oxternal velue of the Finnmark.

Finnish banking legislotion strictly limits foreign banking ectivity in the country. Foreign banks may not incorporate in Finland but ore allowed to open representative offices, which a

couple bave done. They are not allowed to open branch offices, ongage in borrowing or lending business or undertake banking transactions. A foraigner may acquire shares in a Finnish bank but only with the permission of the Ministry of Finance and thon only up to 20 per cent of the bank's equity.

more than 20 per cent of the sbare capital of a compony pursuing business that is not directly rolated to banking, and such holdings in aggregate may other p not exceed 10 per cent of the clients.

can be made for limited periods -e.g., to mount rescue opere-tions for iodustrial enterprises of importance to the national

economy.

The doposit-taking banks have the rights and offer the services of commercial banks. Although thoy are traditionally dividos into four groups—commercial banks, proper, co-operative banks, savings banks and the Postipankki-thay are now usually ell referred to as deposit-taking banks. As they all apply the same interest rates on deposits and loans, inter-Banking law also strictly trated on porsonal and corput-circumscribes the right of banks to pursue industrial activity. composition is fierce—in the opinion of some bankers fierce—in the opinion of some bankers fierce—in the and in the Bank of Finland's opinion leading to offers of overgenerous terms for bousing and other personali oans to ottract

awfence

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Growing intervention by the Riksbank

SWEDEN'S commercial bankers and 13.65 per cent in the further aggregate lending this posted an average rise in earn-savings and co-operative banks. year except for those loans the ings of 15 per cent in 1979 and in addition the Government banks can refinance abroad. ings of 15 per cent in 1979 and in addition the Government yet they have been in a most allowed the Riksbank to prefractions mood during the first acribe the amount of mortgage months of 1980. This is only partly due to the slump in bought profits some say as much as panies. 40-50 per cent-they anticipate

in their disgruntlement has been their disappointment at the increasing intervention in their business of the Riksbank, the central bank, and the Govern-

switched last year from being Swedish capital market, remain Undersecretary of State at the regulated. Economy Ministry and who, the chankers feel, is reneging on his offiberal economic principles.

There is no official control of

deposit rates in Sweden; banks are free to compete for saver'a money. But for years lending rates bave been determined by "voluntary agreement" between the banks and the Riksbank. Now the Riksbank has asked the Government to use its powers to fix a ceiling on lending rates.

Squeeze. -

Following the upward movement in international interest rates last year the Riksbank raised its discount rate in four stages from 6.5 per cent in July to 10 per cent in January . In the later stages the permitted rise in the long-term lending rate (still under the voluntary" system) was lower than the increase in the discount, producing a squeeze on margins which became apparent in the downward trend of bank

profits from the autumn. obligatory liquidity reserves imposed on the banks, ...were raised to 38 per cent for the big commercial banks. while the cash reserves the banks bave to deposit with the Riksbank were put up from 2 to

. Next, partly as a result of resistance from the insurance companies to its efforts to stop them adopting inflation-indexed "real interest" rates for their lending, the Riksbank asked the e:Government to apply the credit Policy Act, under which it can regulate directly bank and minsurance company lending rates for a year at a time.

nomy

bonds and state securities to be bought by the insurance com-

The Riksbank rounded off an An equally potent ingredient ing the banks a sop. It industrial investment, which the in their disgruntlement has been announced that they could Government wishes to stimulate, announced that they could Governme decide for themselves the and belp interest rates on future bond increases. issues for industry and business. The central bank retains its licensing control over industrial "Much of this disappointment bond issues and the interest focuses on the new Riksbank rates on the mortgage and state governor, Mr. Lars Wohlin, who bonds, which dominate the regulated.

In regulating interest rates on bank lending the Riksbank is walkin ga tightrope. It bas to pay attention to international interest levels, in order to prounusually active month by offer- Swedish rates would favour and belp to slow down price

> starting this conflict goes to PKbanken which introduced a new 24-month account with a higher interest rate. But the state-owned bank's action was prompted by reports of the new single account system which the

SWEDEN

WILLIAM DULLFORCE

alashed the commercial banks, reserve requirements, stipulating that they should deposit 2 per cent of their cash with the Riksbank instead of 8 per cent. This was no easing of central bank credit policy.

ing with the Riksbank, the banks will invest the cast re-leased in two new bonds, issued by the state debt office. They will get a better return on their money but the Rikabank also manages to finance a portion of the 1980 Government budget.

· The revised budget submitted by the Government last month puts this deficit at SKr 55bn £5.7bn) or 11 per cent of GNP Together with the anticipated current account deficit of close to SKr 17bn, it is the Rikshank's and Government's main argument for continuing a stringent monetary policy.

According to the revised finance plan SKr 16-22bn of the budget deficit will be financed through the banking system this year with a further SKrf 13bn coming from other Swedish capital market sonrces and State borrowings abroad accounting for SKr 13-17bn.

The Government stipulated in potential of this deficit finding their way into the so-itself has yet to show interest and the average lending financing, the Riksbank has called special deposits through in buying and selling the cer-tarate should not exceed 13.8 per indicated a 9 per cent limit for which the banks compete at tificates, for which the banks arate should not exceed 13.8 per indicated a 9 per cent limit for which the banks compete at tificates, for which arent in the commercial banks the increase in the banks' high interest rates for com- have been hoping.

real culprit, Svenska Handelsbanken, was about to launch. Termed the allbonto, this new type of deposit account merges savings accounts into a single account, where with sophisticated computer programming the interest payable is automatically adjusted to the periods for which sums are retained. Svenska Handelsbanken calculated that it would both simplify banking for its customers and in the long run

The bank pays interest at an annual rate of 11.25 per cent on deposits of over SKr14,000, but charges 0.1 per cent of any amount withdrawn. By the end of January allkonto balances had reached 5Kr 6.9bn. An increase; of SKr 1.6bn in the month of January alone, and the bank's directors remained convinced they had found a winner.

reduce its own account handling

Innovation

costs.

Another innovation on the Swedish scene has been the right for banks to issue bank year. certificates from January this

panies' spare cash.

With the discount rate at 10

per cent the rates paid on these accounts have been estimated to have accounted for almost 30 per cent of the commercial banks' total deposits or roughly SKr 45bn.

At the same time the Riks bank is greatly concerned about the growing indifference to interest rates among con-sumers, which it attributes to the taxation system. The cou mercial bankers argue that the credits would be interest rates to market level: the fears that consumers insensitivity to high rates would per suade companies to feed the consumer market with money rather than to invest in plant

and machinery. the swift expansion of the so "grey" or free money market is a particular bone of contention between the Riks bank and the commercial bankers. From July the Riks bank cootrols on lending rates and bond issues are being extended to the finance com-panies, several of which are

subsidiaries of the banks.

The root of the dispute between the Riksbank and the banks lies in differing priorities and the interaction between fiscal and monetary policy. The governor, Mr. Wohlin, takes the line that before monetary policy can move again in the deriction of liberalisation the government must first revaint its fiscal policy and seriously cut spending, and secondly, revise the tax system so that people can get a real return on savings after tax.

For one other factor bolding down profits this year the banks have only themselves to blame This is the so-called "interest rate war" in deposits which they set off last autumn.

The hope is that the bank certificates will stabilise this relatively volatile particularly if a business. secondary market can be built up. The only limit so far imposed is that the certificates term should be at most one

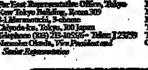
The initial reception of thes year. Modelled on the British certificates has been good and and American certificates of some trading in certificates some trading in certificates deposit, these are intended to among the banks themselves is

FINANCIAL HIGHLIGHTS

FIRST CITY NATIONAL BANK OF HOUSTON

	March 31
Financial Position (In Thousands)	1980 1979
Total assets	\$ 6,533,663 . \$ 4,830,779
Deposits	4,619,869 3,945,428
Loans	2,961,673 2,405,199
Shareholder's equity	271,957 243,117
ETPST CTTV RANCOR	PORATION OF TEXAS, INC.

Pinancial Position (in Lhousenes)		1913
Total assets	\$ 9,931,597	\$ 7,783,884
Deposits	7,524,655	6,464,725
Loans	4,695,748	3,965,880
Shareholders' equity	464,909	401,329
	-	Months Ended ch 31
Operating Results	. 1980	1979
Income before securities transactions	\$20,518,000	\$16,234,000
Per share	1.58	1.29
Net income	20,377,000	16,138,000
Per share	1.57	1.28
	• .	



BANK

other FDIC

March 31

Landesbanken and Sparkassen

Introducing the 4 basic strengths of Germany's largest banking sector:

Size The Savings Banks Organization is Germany's largest bank grouping with a combined business volume of almost DM 800 billion-a market share of some 40 per cent - and more than half of the nation's total savings depo-

Operating within the system are 603 independent Sparkassen and 12 Landesbanken, as well as 13 Offentliche Bausparkassen (Public Building Societies), which together maintain more than 17,000 offices and employ a staff of over 200,000.

Scope. The facilities and services of Germany's Sparkassen permeate the entire economy, from the largest cities to the smallest rural areas. This pervasive coverage provides indepth local expertise and invaluable client contacts at all levels of business and finance. In addition to their broad wholesale banking capabilities, the Landesbanken act as central banks for the Sparkassen in their region, and function as their clearing houses on a national level. In addition to their decisive role in this vast integrated domestic network, the Landesbanken add key international capabilities also universal banks speciali-

through their own offices, participations, and correspondent links in the world's major financial centers.

Solidity. All members of the German Savings Banks Organization are public-sector financial institutions. The liabilities of the Sparkassen are covered by the cities and municipalities where they operate. In turn, the liabilities of the Landesbanken are covered by their state authorities and by the Sparkassen.

Service. Unlike savings banks in many other countries, Sparkassen in Germany operate as local universal banks, providing both commercial and investment banking services. As an integral part of Germany's traditionally export-oriented economy, many Sparkassen transact considerable foreign business. Their facilities typically include letters of credit, documentary business, payments and collections, and guarantees. For larger scale foreign financing, the Sparkassen often work in tandem with the Landesbanken. Landesbanken in Germany are

zing in wholesale banking services ranging from commercial and public-sector lending, project finance, and foreign trade finance to portfolio management, security dealing, and international finance - often arranging or participating in syndicated Euroloans and Eurobond issues. For refinancing purposes, the Landesbanken are authorized to issue their own bearer bonds. For more information on Ger-

many's largest banking sector, just write to:

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Credit ceiling stays put

EDENMARK'S EIGHTY compoint of view, the main will not in fact cut the budget of the past 12 months Danish customers. In the course of the past 12 months Danish customers. In the course of the past 12 months Danish customers. In the course of the past 12 months Danish customers. In the course of the past 12 months Danish customers. In the course of the past 12 months Danish customers. In the course of the past 12 months Danish customers in the course of the past 12 months Danish customers. In the course of the past 12 months Danish customers in the course of the past 12 months Danish customers. In the course of the past 12 months Danish customers in the course of the past 12 months Danish customers. In the course of the past 12 months Danish customers in the course of the past 12 months Danish customers. In the course of the past 12 months Danish customers in the course of the past 12 months Danish customers. In the course of the past 12 months Danish customers in the course of the past 12 months Danish customers. In the course of the past 12 months Danish customers in the course of the past 12 months Danish customers. In the course of the past 12 months Danish customers in the course of the past 12 months Danish customers. In the course of the past 12 months Danish customers in the course of the past 12 months Danish customers in the course of the past 12 months Danish customers in the course of the past 12 months Danish customers in the course of the past 12 months Danish customers in the course of the past 12 months Danish customers in the course of the past 12 months Danish customers in the course of the past 12 months Danish customers in the course of the past 12 months Danish customers in the course of the past 12 months Danish customers in the course of the past 12 months Danish customers in the course of the past 12 months Danish customers in the course of the past 12 months Danish customers in the course of the past 12 months Danish customers in the course of the past 12 months Danish customers in the c "ceiling, or ceiling on loan com-

The even was not a major one in itself, but it symbolises a great many of the issues which are pre-occupying the banks today: the tightness of the credit policy, the way it is administered and the precarious foreign exchange position which makes it all necessary.

- Because Denmark has run a current halance of payments, deficit for the past 20 years, building up a net foreign debt of DKr 77bn by the end of last year, the authorities have been forced to adopt increasingly stringent policies to restrict domestic credit expansion. Both the credit ceiling and the interest rate mechanisms are used to restrict lending in kroner and to ensure that a substantial part of the current balance of payments deficit is by business sector horrowing abroad. For more than a decade interest rates have been held at a level above the going rates on loans abroad as an inducement to borrow ahroad, and in so far as this has not been a strong enoughiocentive, the credit ceiling bas forced would-be borrowers

bank advances are in the 19-20 per cent region. This does not in fact leave any rate margin between foreign and domestic borrowing and consequently private sector borrowing abroad. this spring bas been extremely

that it could not raise the

a routine increase in the credit actions. The total horrowing "not come. As a result the banks ing requirement (i.e., after had to deposit over DKr lbm in allowing for borrowing to cover interest-free accounts with the redemption of maturing loaos) "National Bank, the penalty for about DKr 18bn. The total borrowing requirement will be about 11 per cent and the net requirement about five per

cent of Gross Domestic Product. While the Government and the National Bank are in principle agreed that the budget deficit should be financed by

They had expected the National which this year will be about affected the banks adversely in Bank (the central bank) to make DKr 12bn before loan trans- several ways. It is not so much their earnings that have been reiling, or ceiling on loan com- requirement, will be about suffered, but an increasing prominments, but the increase did DKr 38bn and the net borrow- portion of their earnings is coming from their rising bond portfolios. As they cannot lend in excess of the credit ceiling. they bave bad to increase their boldings of securities. They have also been hindered in competing for deposits by re-

strictions on the Interest rates which they can offer, a situation which has favoured the bond market Another effect of the credit the sale of Government paper. restrictions is that banks have it does not always work out steadily lost industrial business

DENMARK

HILARY BARNES

Covernment drawings on the National Bank accounted for DKr 9.7bn of the increase and Goeroment sales of paper to the bank sector for another DKr 6.10n, so that the Goernment's impact on money supply growth was DKr 15.8bn.

Drawings

On a couple of occasions last year the Goernment preferred The discount rate since in suspend the sale of bonds February has been at a record and Treasury bills rather than 13 per cent. Interest rates on to see a further rise in interest rates, but this led to a drain exchange reserves. annual report, published in fer Danish banks' currency loans necessary degree of financial March, the National Bank com- to Danish customers. Therefore consolidation, Over the last few plained that the budget deficit the National Bank only allowsfected it with an "almost in the banks to raise a small quota This was one of the reasons that a substantial reduction in account for relending domesti-why the National Bank felt the hudget deficit was "an cally Until last year this meant indispensable condition for pro- that the Danish banks provided gress towards a better equilibrium in the economy." to domestic liquidity would be equilibrium in the economy." sure to be reflected in the But the government's new foreign exchange position. As round of economic policy

that way. Last year the money as companies bave raised an supply (M2) increased by about increasing proportion of their DKr 14bn, or 10 per cent credit in the form of foreign Andersen, chief general manager of Handelsbank, told Andersen, the annual meeting of shareholders, in the first half of the seventies about 23 per cent of industry's loans came from good year for the banks, pros Danish banks, but in the second pects for 1980 are less promis Danish banks, but in the secood half of the decade the share fell ing, the high level of interest to 7 per cent.

> siderable share of this business which under the Danish system when the major banks were per-mitted to open Cayman Islands account at their value on the branches. The reasons behind final trading day of the year. this are peculiarly Danish.

When the National Bank adds foreign exchange np the foreign exchange reserves. In its reserves it makes a deduction pluble problem" and declared of currency loans on their own guarantees for foreign hanks to lend to the Danish customers.

But the Cayman branches count as foreign banks for the reserves have fallen by measures carried out this foreign exchange reserve com-about DKr fibn to DKr 13.5bn month, including cuts in public putation purposes, and thus the so far this year, there is no spending, an increase in valut banks have been able to borrow com for manoeurre. added tax from 20t to 22 per in their own name through the with the ratio as early as next From the National Bank's cent and higher energy taxes. Caymans for re-lending to year, say hankers.

The interest in foreign borrowing has also stood the foreign banks in Denmark in good stead. Five of them—Bank of America, Chase, Citibank, Standard and Chartered and

American Express—have sub-sidiary banks in Copenhagen and several others bave reprehas gone in for retail banking but they bave been able to take considerable share of the business from the Danish banks. As the Cayman initiative indi

cates, the Danish banks are

responding to the challenge They are also stepping up their own international engagements in other ways. Copenhagen Handelsbank joined three other Nordic banks in openin gine first wholly owned Nordic consor-tium bank in North America. Nordic American Banking Corporation, based in New York Privatbanken opened a branch bank in New York and also acquired the London-owner bank United International Bank. Dankse Bank, Handlesbank and SDS (the largest of the saving their joternational operations. While 1979 was a reasonably

rates will hit their operating . Last year, however, the banks results as well as causing un-were able to win back a con-realised losses on securities.

Over the longer term, bowever, the banks claim that their earnings will not be sufficient to enable them to achieve the years all the big banks have resorted to the use of subordinate loan capital to maintain the legally required minimum ratio of reserves to deposits and guarantees of 8 per cent, but in future they fear that either the Government will bave to allow them to earn more or it will have to reduce the 8 per cent ratio, which is very high by international standards. Some banks may run into problems

WORLD BANKING XIV

Programme of cautious reform proceeds

TERRY DODSWORTH

operating under certain con-

The Credit National's role in

financing medium term indus-

Reforms brought in by M.

Michel Debre, the then Finance

Minister, swept away this dis-tinction, opening up the

better able to operate on the

charter, so that it will begin

In return, the bank will be

international scale.

THE CAUTIOUSLY reformist instincts of the present French Government are clearly FRANCE illustrated in the development of the French banking sector

Straints.

in the last few years.

It has pressed ahaad with changes designed to propagate the liberal economic ideas of M. Raymond Barre, the Prime Minister. But it has not liberal-ised too much. Indeed, in some ways, notably in the now notorious credit ceilings growth. system which limits the expaoslon of lending, the Barre Government has tightened its hold over the banks.

The main issues in the reform of French banking were set out last year in the nnpnblished, but well-leaked Mayoux report.
Prepared by M. Jacques
Mayoux, a former directorgeneral of Credit Agricole, the quasi-State farmers' bank, the report was sufficiently controversial to have found its way onto one of the Economics Ministry's dustier shelves rather than into an immediate Governmeot Bill.

meor Buil.

Oh both the issue of regionalisation and competition within the bankin gaystem, the Mayoux report's proposals served only to underline the preponderant weight of State direction in the French banking

Reconstruction

Since 1945, commercial bank-ing has been dominated by the three banks—Banque Nationale de Paris, Credit Lyonnais and Societe Generale—which were taken over by the state as part of the reconstruction pro-

gramme after the war.

Alongside these operations, which rank among some of the largest banks in the world, the French system also embraces a large number of State and quasi-State institutions which have a central influence on the savings market and on lending.

The Credit Agricole was developed as a means of providing cheap finance in remote farming areas, sometimes served by a mohiel banking office. The Credit National is designed to channel funds into iodustry, raising its own money oo the fixed Interest market but also channelling special Government

In order to develop their activities, these organisations able to break out of the straighthave been controlled through jacket which gave it the right to enjoying highly privileged special privileges in return for lend only to farmers in small interest rates, because the bank

rural communities. It will now be able to move into the food processing industry (another

target of Government support)

and gradually into any kind of medium-sized enterprise. try, for example, is belied by the way the Government channels special credits through its branches, and the bank also The second measure was aimed at limiting the rapid expansion of the Credit Mutuel, has the right to discount the paper of the commercial banks with the Banque de France. one of the two main tax-free savings account organisations Until the mid 1960s, the banking system was also deeply aplit by another regulatory device, the division between the merchant banking type "banque d'affaires." which based their activities on industrial investment and were barred from accepting sight denosits and in the country. According to its critics. Credit Mutuel is growing at the expense of the rest of the banking system, because of its right to give tax-free interest on its deposits.

The Government has res-

ponded by problbiting deposi-tors from bolding both Credit Mntuel accounts and conven accepting sight deposits, and the deposit banks, which were not allowed to take major shareboldings in industry. tional Post Office accounts.

Thirdly, the banks are now adjuating lending ratios to bring the French system more into line with standard practice over-

Centralised

system to greater competition-and mobilising France's vast savings potential, which up to that time had been greatly The difficulty in introducing more sweeping reforms lies underused.
The present Government's tentative reform efforts are demainly in the dependence a large part of the banking system bas on the State and on centralised planning in Paris. signed to take some of the

Debre measures a step further.
Once again, the idea is to take away some of the special privileges which have tended to bedge the banks into closely defined operational areas. The intention is a create greater. Although France has several significant private banks — including Credit Industriel et Commercial, which claims to be the largest with 1,500 branches, Credit Commercial de France, and the Banque Hervet — the nationalised trio still diminate affairs, and they bave rather received any blooms. intention is to create greater competition between the banks which should, in theory, pro-duce more efficient concerns special problems.

One of the difficulties is to increase their capital to meet the new reserve ratio targets.

The solution arrived at by the Three main measures hava ben introduced so far. The first of these has been designed to bring the Credit Agricole more firmly into the "normal" banks to appeal for funds to the private capital market—they are legally entitled to do this for up banking system, subject to similar constraints. This objective

is being achieved through tak-ing away the bank's tax privito 25 per cent of their equity. But after a successful issue of this kind by Societe Generale, the policy came unstuck when Credit Lyonnais refused to play the game. The Government had. leges, based on its co-operative paying tax on two-thirds of its to come up with a special

should be going into overseas developments.

A second problem lies in the inbuilt institutional limitations on the effort to give greater authority to banks in the

The Mayoux reports strongest recommendation was that decision making in the banks should be decentralised, and the Government ia continuin to cajole the banks in this direction as a means of supporting local industry. The banks themselves claim to be responding. But there is preference in favour of maintaining the strength of their Paris operations, both because of the expense involved in regionalisation and because of the influence of the Govern-ment's own decision-making adminstrative machine at the

centre.
The third difficulty lies in the Government's "encadrement du credit system. Designed to limit the growth in bank lend-ing by a fixed proportion every year according to the type of loan. "encadrement" is being steadily tightened this year to keep money supply growth within the Government target of 11 per cent.

The Government's rellance on this type of control, rather than on interest rates or open market operations, is partly due to the existence of the European Monetary System.

The franc bas been so strong within the EMS this year that there bas been a danger that the authorities would have to bring interest rates down to maintain it at the right level against the Dentsche Mark. Tet the system is awash with liquidity following the Inflow of Arab funds this year, so the effort to restrain lending has bad to lean beavily on direct

controls.

But "encadrement" locks the banks into their established, historical lending pat-The margin of growth terns. is so small that it limits the possibility of new competitive ventures-and so of one of the Government's main objectives in hanking reform.

As a result, most of the new pressures in French banking in the last few years have come from the development of foreign banks in France (5.6 per cent debenture-type convertible loan, of total deposits of FFr 642bn). and the growth of French banks



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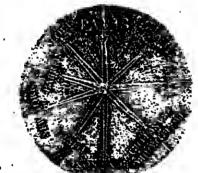
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Adler Bank, Basle; Banque Romande, Geneva, Lausanne, Martigny.

BRANCH ABROAD: Nassau (Bahamas).

REPRESENTATIVE OFFICES ABROAD: Caracas, Paris.

AFFILIATED BANKS AND COMPANIES ABROAD: Banca della Svizzera Italiana (Overseas) Ltd., Nassau (Bahamas); Banca della Svizzera Italiana Securities Corp., New York; B.S.I. Services (Guernsey) Limited, St. Peter Port, Guernsey (Channel Islands); Compagnie Monégasque de Banque, Monaco; Société Européenne de Banque, Luxembourg.



UNION DE BANQUES ARABES ET FRANÇAISES-U.B.A.F. BALANCE SHEET AS AT 31.12.1979

ASSETS

Cash in hand with banks of issue Banks and financial establishments Treasury notes and securities received as collateral or paid in cash Credit to customers Credit to customers-Overdrafts Cheques or bills for collection Suspense accounts and sundries Securities potfolio -Investments in affiliates and participations

Total Assets

LIABILITIES

Shareholders or associates

Banks of Issue Banks and financial establishments Customers deposits Saving accounts Cheques and bills to be paid after collection Suspense accounts, provisions and sundries Floating rate notes and convertible bonds Reserves Capital

Total Liabilities

606.616.638 10,042,233,876 510,106,845 2,244,136,802 46,388,240

17,511,752 894,012,382 1.84,133,623 18,027,923 13,902,333 50,000,000 14,627,070,414 1,055,795,967 667,172,811 3,074,451,010 56,806,000 40,566,905 526,240,056 228,253,498 43,250,446 16,897,919

1979

513,436,644

16,222,871,256

1,511,629,992 0.565,890,824 766,039,104 1,214,301 17,511,752 943,215,486 517,200,000 54,368,955 250,000,000

4,627,070,414

1,157,770,705 6,705,903 40,566,905 488,236,699 552,000,000 63,523,523 250,000,000

2,168,540,058

11,495,527,463

16.222,871,256

The ordinary general assembly during its meeting of April 29th, 1980 at the head office at Neutilly-sur-Seine, has unanimously approved the accounts The ordinary general assembly during its meeting of April 20th, 1980 at the head office at requirity-sur-serile, has unanimously approved the accounts of the financial year ending 31.12.79, noted that the financial year resulted in a net prolit of FF 30,195,567.65 against FF 26,264,472.50 for the previous year end fixed the total dividend at FF 21,041,000 against FF 14,750,000 in 1978.

The general assembly ratified the proposal made by the Board of Directors to appoint Mr. Ahmed Bennani to the directorship which has become vecant due to the death of Dr. Fawzi El-Kaissi. The Board of Directors elected Mr. Ahmed Bennani Vice-Chairman of the Board. vacant-due to the death of Dr. Pawzi et-Kaisti. This board of Orlectors elected Mr. Anneal Series to the board of the Board of the articles of association and article 9 of the protocol of the bank, the general assembly ratified the proposal of the Board renewing the appointment to the directoship of Banque Extérieurs d'Algérie represented by Mr. Boussria Belghoula, Rafidain Bank represented by Mr. Ezzeddine Saleem Al-Bahrani, Alahli Bank of Kuwalt represented by Mr. Hussein Makki Al-Juma, Crédit Lyonnais represented by Mr. Boussria Balghoula, Rafidain Bank of Kuwalt represented by Mr. Hussein Makki Al-Juma, Crédit Lyonnais represented by Mr. Boussria Balghoula, Rafidain Bank of Kuwalt represented by Mr. Hussein Makki Al-Juma, Crédit Lyonnais represented by Mr. Boussria Balghoula, Rafidain Bank of Kuwalt represented by Mr. Hussein Makki Al-Juma, Crédit Lyonnais represented by Mr. Boussria Balghoula, Rafidain Bank of Kuwalt represented by Mr. Hussein Makki Al-Juma, Crédit Lyonnais represented by Mr. Boussria Balghoula, Rafidain Bank of Kuwalt represented by Mr. Hussein Makki Al-Juma, Crédit Lyonnais represented by Mr. Boussria Balghoula, Rafidain Bank of Kuwalt represented by Mr. Hussein Makki Al-Juma, Crédit Lyonnais represented by Mr. Boussria Balghoula, Rafidain Bank of Kuwalt represented by Mr. Hussein Makki Al-Juma, Crédit Lyonnais represented by Mr. Boussria Balghoula, Rafidain Bank of Kuwalt represented by Mr. Boussria Balghoula, Rafidain Bank of Kuwalt represented by Mr. Boussria Balghoula, Rafidain Bank of Kuwalt represented by Mr. Boussria Balghoula, Rafidain Bank of Kuwalt represented by Mr. Boussria Balghoula, Rafidain Bank of Kuwalt represented by Mr. Boussria Balghoula, Rafidain Bank of Kuwalt represented by Mr. Boussria Balghoula, Rafidain Bank of Kuwalt represented by Mr. Boussria Balghoula, Rafidain Bank of Kuwalt represented by Mr. Boussria Balghoula, Rafidain Bank of Kuwalt represented by Mr. Balghoula, Rafidain Bank of Kuwalt represented by Mr. Balghoula, Rafidain Bank of Kuwalt Rafidain Bank

Politics weigh heavily

ITALY

IF EVER ANYTHING, on the face of it, were ripe for reform that something would be the Italian banking system.

Legally it still rests on a framework created in 1936, when fascism was at its height; structurally it is probably more fragmented than any com-parable system in Western Europe Legal ambiguities over arrested one March dawn in Francesco Cossiga, and the and publicly owned banks have contributed to the wave of the vast latitude scandals that has rolled through examining magistrates. the sector in the last two or

Scandal

It is in a sense paradoxical that a system permitting so many irregularities, and whose reputation has sometimes heen cast in doubt by scandal, should he headed by one of the most. influential central banks in Europe, possessing some of the greatest regulatory powers.

Stranger still, the Bank of

Italy has long been perceived as perhaps the ultimate guarantor of the country's financial respectability. Governments come and go but the governor of the Bank of Italy usually remains: there have been only even since 1900. Invariably he has been a

figure well above the maelstrom

of party politics and a rigorous of party politics and a rigorous defender of the bank's independence and integrity.

In oo case was this more true than with Dr. Paolo Baffi, who became governor in 1975, in the depths of the mid-decade Italian financial crisis. Italian financial crisis.

By 1978 he had given Italy the West's largest balance of payments snrplus, resurrected the lira, and replenished the reserves, which in early 1976 had fallen to only \$500m. Yet Dr. Baffi himself fell

victim to scandal and intrigue, almost certainly a political plot mounted to curb the zeal of the Vigilance Department of the central bank in its investigation of bank lending.

Dr. Baffi was spared the indignity of a spell in prison for interrogation by examining magistrates only hecause of his advanced age. His deputy Sig. Mario Sarcinelli, was less for-tunate and suffered precisely that fate, before being completely cleared of any suggestion of wrangdoing.

Nonetbeless the episode con-tributed to Dr. Baffi's decision to step down last year, and severely shook morale at the central bank.

If foreign and Italian chamical group Liquigas, the observers, all niterly convinced of the proprietly of the Bank of Italy's behaviour, were Given the upbaavals and unbewildered, then that is not surprising. One of the prime years, the Italian banking causes of the Bank of Italy system has in fact shown itself affair - and of the more recent sensation when 30 bankers were the Prime Minister,

RUPERT CORNWELL

the differing status of private connection with the Italcasse savings institute scandal - ls the vast latitude given to Highly politicised, the magis-

tracy is virtually a fifth estate of the Italiao realm. In the apecified field of bank-

ing its powers are particularly sanaitive because of the curious differencea in the law as it pertains to private banks on the one band, and public ones on tha othar. The SIR and Italcasse affairs

The SIR and Italcasse affairs are perfect examples of this problem. In the case of Italcasse there are in fact two "scandals." The so-called "White funda" were lent by the institute to certain borrowers, narhang unwisely but not perhapa unwisely but not illegally in nay normal sense of the word. Among tha recipients

"whose SIR later collapsed in an oceao of debt, and the Calag-trone brothers, whose own con-truction empire periahed in the For these lendings, rash in-

deed as subsequent events proved, bankera could be and in the case of 39 werearraigned for misuse of public funds, by extending loans without proper guarantaes.
But these "white" funds, which did appear on the Ital-

casse balance sheet, are separate from the institute's "black funds" — in essence a slush fund for political pay-menta which naver appeared on any record. The Italcasse "black funda" indeed are the extreme example of the sady links which can be created between the banking system and politicians.

Not surprisingly the public sector banks are pressing for a new legal framework which could place them on the same footing as their private counterparts, while calls are mounting for a new law to govern political party financing
The position of the public

banks is all the more grave in that they are being called on to shouldar the lion's abare of the burden of reacuing bankrupt industrial groups of which SIR is just one. Others include the

certainties of the last couple of remarkably resilient, but both

Treasury Minister, Sig. Filippo Maria Pandolfi, have on more than one occasion been forced to publicly reaffim the solidity

Squabbling

But there are other political problems. Squabbling among the parties over who should fill public sector banking posts has meant that more than 60 local aavings banks are without chair-

The aigns, moreover are that the practice of political division of the spoila (or lottizzaione as it is called in Italian) ia spreading down the ladder to the key executive level of managing

ssytem liek many other aspecta only real of Italy, is saved by its very investor.

1,069 banks and other credit institutions existed in the country. If the state controls the bulk of the system through the 120 hanks and savings banks (including the very largest o all like Banca Nazionale del Lavoro, Credito Italiano, Banca Commerciale Italiana and Cassa di Risparmio Delle Provincie Lombarde) which handle 62 per cent of total deposits, the myriad of smaller banks provides a perfect link with the smaller local or provincial com-panies which are the backbone of the Italian economy.

fragmentation. At the last count

There are 650 of these cases rurali (or rural banks), plus a further 163 banche popolari, owned on a co-operative basis.

Perhaps the most dangerous reason for the complacency of the banks is the fact that for the average tlalian, there is no alternative home for his savings. Exporting capital is both risky and less attractive than before, while the stock market is tiny and a baven only for insider In some respects the banking a bank deposit account is the only real option open to the

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CORRESPONDENTS THROUGHOUT THE WORLD

هكذامن الأجل

Outlook for earnings remains healthy

THE SWISS banking community is enjoying excellent health. Business is expanding fast and everything points to a

earnings.

Although prospects are somewhat marred by the possibility of new regulatory measures. banks are generally feeling quite pleased with life at the

beginning of the '80s.
The llon's sbare of banking business is in the hands of the Big Five. These are Swiss Bank Corporataion, of Basle, the Zurich-based Union Bank of Switzerland and Credit Suisse, Swiss Volksbank (Berne) and Bank Len, also of Zurich.

Their share, which reached a combined SwFr 215bn (\$124.3bn) at the start of this year, continues to grow. As

year, continues to grow. As suniversal banks, they are consolidating their already very strong position abroad and secently have been making inroads into some of the domestic operations in which the cantonal and regional banks have tradi-

tionally been very active.
While the big banks grew in balance sheet terms by 12.4 per cent over the past year, the 29 cantonal banks expanded at cantonal coants expanded at only about balf this rate. These banks are the closest Switzer-land gets to state banking; even the National Bank, as the central monetary authority, is not nationalised.

Not least because of the increasing competition within business. This meant that in Switzerland, the cantonal institutions are becoming much more universal in their

The joint assets are a sub-stantial Sw Fr 94bn (\$54.3bn) or more, or three times those of the 37 regional and savings banks—a group which has been growing at a rate of under 3

SWITZERLAND

JOHN WICKS

clients of the Swiss banking

The most noticeable result has been a marked upswing in bank loans. With the Big Five gaining a lot of ground, the total of outstanding domestic loans expanded by 9.5 per cent

This was due largely to beavy demand for cheap mortgages and a rise in building activity following the long period of slack construction demand. The mortgage business is of key importance to Swiss bankers, since Switzerland has by far the bighest mortgage debt per capita—over \$7,440. If domestic loan business has burgeoned, foreign loan grants have rocketed

Latest figures show a certain falling off in this sector, it is true, but annual totals for 1979 indicated a jump by no less than 41 per cent to Sw Fr 11.88bn (\$6.87bn) in new net terms there were almost as many foreign as domestic

approach. Some of them are Swiss banks were also closely looking at distributing part of involved with the increase in their capital among the invest- other forms of foreign borrow-Bond loans totalled 'a record Sw Fr 5.2bn (\$3bn) and private placements Sw Fr 10.3bn (\$6bn) last year. Like bank loans to foreign clients, however, these borrowings have recently shown a downward

months ago, successfully con-with the necessity of raising centrating its efforts on dampen-ing the exchange rate, there level in some six years. Time bas been plentiful liquidity for deposits have been increasing fast-both domestic Swiss franc deposits and foreign deposits in other currencies—while sight deposits are well below previous

> Competition on the home market is very sharp, a fact the big banks have taken into account by their recent decision to reintroduce voluntary restric-tions on the opening of new branches. At the same time, at least some of the foreign busi-ness in the past couple of months has been restrained by the uncertainties in interest and exchange rate patterns.

Referendum

While, generally speaking, the banks are about as sanguine as banks ever are in Switzerland, a number of questions continue

The most long-standing is that of the referendum called by the Social Democrats to institute stricter controls over banking business. Although this motion stops short of scrapping the principle of banking secrecy and very far short of anything approaching nationalisation, it would bave far-reaching effects for the banks.

At present, it seems unlikely that the hid will succeed. Quite apart from the fact that the new

full-dress banking scandal in the next year or so, could make things look different of course.

Less unlikely is the introduc tion at some date of a so-called bank tax. A Social Democrat proposal for a 5 per cent with-bolding tax on interest from fiduciary accounts, was turned down in Parliament in autumn 1978.

At the same time, the Swiss Banking Commission is working on various proposals to tighten controls. One of these foresees a new method for calculating banks' capital fund requirements, details of which are in the process of being presented to the Government. Since 1978 banks have had to supply the Commission with supply the Commission with consolidated financial statements. The results have served the control body as a basis to re-think capital ratio criteria.

Nevertheless, not all banks are happy at the intention to place greater importance than hitherto on banks' assets in ratio calculations. Also, some of them will be affected by the new rules restricting banks setting up subsidiaries to increasa loan potential vithout a corresponding increase in capital backing. The rules will probably come into force early

next year. Another outstanding prof lem is that of protection from loss of clients' deposits. Some protection already exists, but only in the form of preferred claims under bankruptcy for savings accountts of up to

The 15 banks included in Banking oCmmission report on insolvencies from 1971 to 1979. which led to creditor losses of nearly SwFr 1bn (\$578m) in Finance Minister, Mr. Willy all, accepted no savings Ritschard — himself a Social accounts of this kind. The Democrat—has indicated that banking community sees this as he will join other cabinet proof that client protection is a banking community sees this as Since the National Bank As far as attracting deposits ministers in opposing the non-issue, the Banking Commistemporarily suspended its is concerned, Swiss banks have motin, referends on left-wing sion as an indication that what
money-supply aims about 18 in the past months been faced proposals tend to be defeated, protection exists is irrelevant.

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nca:Popolare di Verona

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N B BANK

Boom years clearly over

THE STEADY rise in Dutch banking profits came to a halt over the past year as political increased internationally an the domestic economy faltered. Recent reviews by both the central bank and the Central Planning Office beld out no hope of improvement in the short term and commercial bankers have been even more cautious Than usual in their forecasts. Private banks dominate the banking picture in the Notherlands, though a number of State or semi-State banks operate in areas such as the financing of local authorities and the water boards. The State also has a 23 per cent stake in Nederlandsche Middenstandsbank (NMB3, the number four in the banking

league, though the bank operates on a purely commercial Three large banks jockey for THE NETHERLANDS

CHARLES BATCHELOR

rently top in terms of total assets, with Fl S6.7bn (\$43.4bn) at the end of 1979, but less than Fl 3bn separate it from the is only half the size of the big three, though it leaves the rest of the field well behind.

position at the top of the Dutch year, while Rabo-Bank, with its Bank Nederland (ABN) is curvastly different structure, topped the profits league. Rabo-Bank is an agricultural co-operative which has steadily expanded into a general retail bank and is now developing its Rabobank and Amsterdam international operations. NMB Rotterdambank (AMRO). NMB too is flexing its muscles on the international scene on the basis of its domestic activities, which are traditionally aimed at the

AMRO and ABN, which are financing of small businesses.
the most comparable in terms While mergers have reduce the most comparable in terms While mergers have reduced of their activities, produced the number of Dutch banks almost identical net profits last from 114 in the early 1980s to

banks continues to swell. There are 37 with full branches in the Netherlands, while a further bave representative offices The foreign banks now account for 13 per cent of the marke in terms of total assets, though their share of the domestic market is smaller at 7 per cent:

only 20, tha number of foreign

The boom years are clearly over, though and both First National Bank of Chicago and Bank of Montreal bave pulled out. The Chicago bank gave "cost-cutting" as a reason for its move, while Bank of Montreal revealed that the losses on its Amsterdam office had reached unacceptable levels. Lloyds Bank International has also been rethinking its policy in the Netherlands and has sbut down its loss-making stockbroking and portfolio management activities. The savings banks play an

important part in the retail banking scene, accounting together with the Post Office savings bank, for about 10 per cent of bte total assets of all Dutch banks. The concentration process is continuing, with 15 process is continuing, with 15 small local banks recently deciding to link up in the form of a co-operative association rather than the full merger which bas characterised the savings bank movement in recent years. There are now around 80 independent savings banks compared with 250 a few



from the Sarcen Workshops, around the 12th century. Unfortunately the history is unclear. But there remains no uncertainty about the genius of the Italians who create it, even to this day.

This genius has been flour shing from generation to generation for hundreds of years. From the earliest 15th century examples surviving to today's products, the craftsmen have used time only to perfect their art.

But perhaps that's a familiar Italian trademark. It's certainly one that Italy's foremost bank shows in following the traditions of the world's first paper money dealers from Venice.

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Risk capital The problem of the shortage of risk capital has absorbed much of the attention of Dutch bankers in recent months. Banks are prevented from taking a permanent holding of more than 5 per cent in non-banks. Dr. Wim Duisenberg, a former Finance Minister and now a member of the board of Rabobank, proposed this limit should be raised to 10 per cent. The central bank remains opposed to the idea, bowever, because of the additional risks involved, though Dr. Zijlstra, in his latest annual report, pointed out that temporary holdings of more than 5 per a sale mille with nordest. noidings of more than 5 per cent are possible. He also urged banks to form "participa-tion companies" which would provide risk capital. This would increase the flow of Gerarise is the North-East of Raly Six Popular Banks have unlike to form GRUPPONORIDES! They consider an important partner for the elemance while with NORTH EASTERN (TALY funds to industry while allowing the banks to keep their distance from the business risks One reason for the central bank's opposition to a greater direct involvement of banks in direct involvement of banks in industry is the deterioration in the bank's solvency ratio in recent years. Banks' assets amounted to 8.9 per cent of credits granted at the end of 1979 compared with the reand the close constant association with the big Enterprises as well as with the small or our manages a sure reference quirement of 7.5 per cent. The margin between available and required assets fell to 1.4 per cent and was narrower than at any time since limits were first applied in 1973. Despite an earlier plea from the central bank for the commercial banks (RIPPOMORDEST a safe landing to increase their equity capital only one bank made a share issue in 1979.

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More freedom in the

AFTER LIVING for decades under a system in which the state bas regulated both the credit supply and the interest rate structure, bolding interest rates at an artificially low level, Norway's banks are this year looking forward to a somewbat

horizon are expected to reduce the dominating role of the state banks in the credit market while market forces will be allowed rather greater play in determining credit supply and interest rate levels. One leading Norwegian banker has even suggested that Norway could follow Britain's example and lift restrictions on currency movements, since oil revenues will soon make the country a net capital exporter.

Over the past year, two reports have been published by independent government-appointed committees which bave studied various aspects of the way Norway's credit market functions. One group concen-trated on the market's structure, including the role of the state banks. The other concerned itself mainly with interest rate policy. Both reached conclusions which pointed the way to a modification of the present rigid system. Their recommendations are expected to be reflected in a

credit policy due to be tabled The committee which studied credit market structure was

government white paper on

Policy changes now on the greater scale than was necessary to achieve desirable aocial

NORWAY

FAY GJESTER

cheap medium- and long-term loans for housing, agriculture, ciple with these arguments, by fisheries, industry, regional development and student educa-tion. Mostly because the terms they offer are so attractive, their abare of the market has swollen, pense of the savings and commercial banks. Originally intended as a supplement to the private capital market, their lending now accounts for half the total credit supply. Political pressures make it easier for a Labour Government to cut private the content of t over recent years, at the ex-Labour Government to cut private bank lending quotas, when the credit supply has to be curbed, than to limit lending by the state banks.

from the state banks could well to vary with supply and afford to pay the market price demand. The unanimity was for the credit they needed impressive both because of the se who did need subsidised credit could be helped in other tive composition (including ways, it argued. There were Labour politicians and induslimits to bow sharply private trialists) and because its conchaired by Mr. Hermod Skaan lending could be reduced to clusions involved a sharp break land, a deputy governor of the make up for the state bank's with the Labour Party's tradi-Bank of Norway. Its report steady expansion. All the tional low-interest policy, sald the existing state bank various quota arrangements. Since the second world war,

difficult to pursue flexible credit policies, the committee pointed

The Government has already shown its agreement in prina decision, lato last year, to transfer some housing finance from the state bousing bank to the private sector, under special conditions. Though the proposed move was a modest one. policy of supplying bousing at a "fair" price to working-class families.

that studied interest rate policy. The Skaanland committee pointed out that many of the people receiving cheap loans the cost of most from the state banks could well afford to pay the strategy in this field, allowing the cost of most from the state banks could well afford to pay the strategy in this field, allowing the cost of most from the state banks could well afford to pay the strategy in this field, allowing the cost of most from the state banks could well afford to pay the strategy in this field, allowing the cost of most from the state banks could well afford to pay the strategy in this field, allowing the cost of most from the state banks could well afford to pay the strategy in this field, allowing the cost of most from the state banks could well afford to pay the strategy in this field, allowing the cost of most from the state banks could well afford to pay the strategy in this field, allowing the cost of most from the state banks could well afford to pay the strategy in this field, allowing the cost of most field the co committee's widely representative composition (including Labour politicians and indus-

system created inflationary created to ration the credit successive Norwegian govern-pressure in the country by offer-supply led to a segmentation ments—mostly Labour—have ing subsidised credit on a far of the market which made it kept interest rates low. At first,

s was justified by the need in a speech last month by Mr. encourage investment in Johan Melander, retiring presi post-world war two reconstruc-tion. Later it was retained as an easy way of keeping invest-ments at a high level.

The negative consequences of the policy became apparent only gradually. It was inflationary, stimulating demand for credit, and as a way of redistributing income it was downright, unfair. Reinforced by Norway's tax system, which allows deduction of interest payments on any kind of borrowing, it benefited borrowers at the expense of savers, and younger, well-off people at the expense of the poor and elderly.

Austerity

The low-interest policy was amended slightly in December 1977, as part of a package of austerity measures designed to curb consumption and en-courage saving. The finance ministry relaxed its so-called "understanding" with the The 15-member committee "understanding" with the banks and allowed them to charge somewhat higher rates on advances. Rates on deposits also rose. Even then, however, the ministry said that regula-tion would be reimposed if rates rose too sharply.

Nine months later the banks' freedom of manoeuvre was again restricted temporarily by the imposition of a 15-month prices and incomes freeze, which prevented them from charging higher rates for advances. Though the freeze has now ended prices are still regulated and so far the banks have not been allowed to increase interest charged on advances. The amount they are allowed to lend is also subject to strictly enforced quotas. This is because of excess liquidity in the economy caused by the Govern-ment's inflationary fiscal poli-

of it by marketing new types of

dent of Den Norske Credithank (DNC), Norway's largest commercial bank. As DNC's president for the past 25 years, Mr. Melander has had a lifetime's experience of the distortions created by excessive Govern-ment regulation of the currency and credit market. He maintains that less inflationary fiscal policies, coupled with higher in-terest rates, could quickly aliminate the need for credit curbs

Demand would shrink and

supply would increase.

As for currency controls these will be superficient as of revenues begin pouring in and Norway becomes a net capital exporter. When repayment has been completed of the state's foreign debt, now standing at about \$6.4bn. should be channelled abroad to avoid cost inflation in the domestic economy which would destroy the competitiveness of Norwegian industry. A good way of doing this, Mr. Jelander says, would be through state investment in the foreign subsidiaries of Norwegian banks. This would help the banks in service Norway's shipping manufacturing and offshore in dustries overseas, while at the same time keeping control of Norway's oil money in Nor wegian hands.

Benefits

The economic benefits abolishing currency regulation Melander argues, including the forging of closer links between the Norwegian and the world economy. They would more than offset any possible loss as a result of increased tax avoid ance, following the change.

DNC's undisputed position as

the largest Norwegian commercial bank is threatened by Nevertheless, the degree of freedom granted in 1977 has strongly stimulated private saving. The banks took advantage ing. The banks took advantage in the forthcoming merger of two other banks. These are Christiania Bank OG Kreditkasse, until now No. 3 on the banking scene, and the smaller, crisis-hit scene, and the smaller, crisis-hit scene. Andresens Bank, which for two savings schemes designed to years running has had to pass attract long-term deposits, and dividend because of heavy losses most of these were very success on bad loans. When the merger ful. Nearly all Norway's banks is completed, next month, the reported big increases in new merged bank will have deposits during 1978 and 1979.

The appeal for a bonfire of the latter will try to keep its currency controls, as soon as No. 1 position, Mr. Melandric Norway's external economy said last month. "It's good for moves into surplus, was made business," he pointed out.

Entry to EEC will herald changes

GREECE'S formal accession to the EEC from January 1, 1981 will herald further internationalisation of the country's bank-

Greek banks are expected to undertake a greater sbare of international business particu-larly eurocredits. And Greece is likely to become a more attractive market for European

he foreign exchange market in Greece. . This is part of new arrangemnts for external transactions to allow Greece's eventual participation in the Eurepean Monetary System.

Greece's accession to the Common Market as the community's tenth member does not oblige her to participate in the EMS. But it is recognised in Athens that a major prerequisite for participation would be a reduction of the current inflation rate to average EEC levels.

cent last year and the Government's target is to bring down this year to about 15 per cent. According to present indica-tions, a level around 20 per cent would be a more realistic estimate.

The banking system represents the principal source of —40 per cent by the National financing in Greece, where the stock exchange plays a minor a Libyan bank and 30 per cent The banking system's weaknesses stem from complex state controls, old-fasbiened methods and the high cost of

The State exercises fairly tight control of banking, largely through the monetary commit-tee, which lays down general rules for bankin lending, sets maximum interest rates, controls foreign exchange transactions, and grants operating per-mits for Greek and foreign bank

Its overall aims are the proper distribution of available resources towards financing industrial investment and exports and disconraging luxury im-ports and excessive consumer In addition to exercising control through the monetary com-mitee, the State controls the Bank of Greece, which is the central bank and bank of issue, and owns the Agricultural Bank of Greece, the Hellenic Industrial Development Bank, the Post Office Savings Bank and a number of other specialised institu-

Tho atate also exercises extensive control over the vital commercial banking sector, which constitutes the backbone of the banking system.

At the annual shareholders'

assembly of the three largest commercial banks, the Government'a delegate in fact represents the majority of sharea, owned by pension and trust

These banks, the National Meanwhile, an interbank foreign exchange market is to be created next June or July as a first step towards [The Minister of Co-ordination, and Popular Bank of Greece, in country's banking system needs a first step towards liberalising turn control a number of reform to make the cost of its panies and industrial, commer-

cial and tourist enterprises. banks and their affiliates handle about 80 per cent of total commercial banking business. The National Bank one of the world's largest banks bas more than 300 branches throughout the country and bandles about 55 per cent of total

International

Three other privately owned Inflation reached 24.5 per banks are the Credit Bank, ent last year and the Govern- Ergobank and the Bank of Crete. The recently established Arab-Hellenic Bank operates under the conditions laid down by the currency committee in May 1979 for offsbore banking operations in Greece. Its US\$15m capital is jointly owned

by Kuwaiti interests. International banks bave been attracted to Greece since the attracted to Greece since the country became an associate of the EEC in the early '60s, despite the smallness of the local market and strict foreign exchange regulations that precluded, among other things, transactions in Eurodollars.

Apart from offering the usual banking services to Greek and international clients, foreign banks have taken advantage of the large-scale Greek shipping and tourist traffic in transacting many worldwide operations. Fifteen foreign banks are now

offering full commercial banking services. Seven are North
American, four British, one
French, one Dutch and two
Middle Eastern. Arab Bank Limited is the latest addition to the list.

With the freedom of establishment of European Community enterprises, due to become effective next January, it is expected that a number of French and West German banks will establish branches in Greece. Banque de Paris et Des Pays Bas and Societe Generale (of Belgium) which received approval in 1979 are expected to open branches

this year.
Foreign banks handle about 11 per cent of total commercial bank deposits and 14 per cent of total credits. One of the practical contributions foreign banks bas been to spur

THE TOP FIVE GREEK BANKS

1978 figures in tho	usand drachmas Total assets	Earnings
National Bank of Greece	369,748,357	1,988,682
Commercial Bank of Greece	108,069,660	488,991
Ionian-Popular Bank	45,054,848	429,585
Credit Bank	38,532,135	131,815
General Hellepic Bank	16.661,355	92,074

GREECE A CORRESPONDENT

funds, and appoints the top Greek banks to modernise their

Mr. Constantine Mitsotakis foreign banks.

Funds for this market will The three largest commercial be derived from compulsory deposits which commercial banks, post office savings banks and insurance banks are required to keep at low interest with the Bank of Greece. These recommendations, it is

argued, will rationalise the distribution of credits granted by specialised institutious, particularly for long-term investment and bousing needs, and restrict the present financing of Government expenditures by the issue of paper

currency. Professor Xenophon Zolotas, governor of the Bank of Greece, bas sald the monetary authorities intend to liberalise lending rates when the overall econ omic situation permits so that their level and structure reflect market conditions.

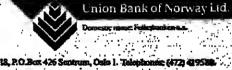
They also intend gradually to liberalise interest rates on deposits they accept and to determine interest rates. A first step in this direction was the liberalisation of interest rates on dollar and sterling deposits. The banks financing ceilings CONTINUED ON

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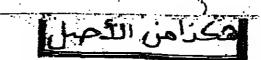
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Overburdened by heavy State spending

have been beset by a growing illiquidity which has belped push up interest rates.

Traditionally, Belgium bas been good to bankers. With a bational savings rate of around 17 per cent of income, Belgian banks have long been swamped comparatively chesp deposits. Borrow short and iend long was not so much a piece of good advice as the Belgian banking sector's endur-

International banks were also ettracted by the magnet of Belgium's poistion among the rorld's top ten export nations and at the heart of the EEC. so that during the past 20 years the number of major international banks present in Brussels has grown fourfold to

In terms of banks' external balances, Brussels claims to be minth in the league of world financial centres with those

banking system is now on the

financial markets slippery slope of an inverted yield curve. Some bankers argue that this will be a fairly short-lived phenomenon for Belgium is still a wealthy country, but others say recovery will remein blocked by political difficulties.

> The country's latest political crisis, which began on April 9 with the resignation of Prime Minister Mr. Wilfried Martens over the Flemish-Walloon language issue, has set back the Sovernment's attempts to control public spending. Mr. Martens is currently caretaker-Premier charged with attempting to form a new coalition, but even if be does so his chances of making a major impact on the adverse trend in the state's finances during 1980 are reckoned-slim in Brussels politifinances

· The ratio between Government spending and Gross Domestic Product (GDP) is rising inexorably. In 1975 that balences putting it ahead of ratio was 46.9 per cent, last year follows and Milan. it reached 53.1 per cent. The The snag is that, in domestic EEC average, which moved only slightly upwards during

cal circles.

Some bankers net deficit of the Belgian public sector increased from 4.4 per cent of GDP to 7.4 per cent. Paying for the Belgian State's

spiralling spending bas im-posed beavy burdens on the banking system and the domestic capital market.

The Government last year reversed its 10-year standing rule against foreign borrowing and raised around BFr 70bn abroad because private sector industry was being starved of investment funds. This year that level of foreign borrowing could alt BFr 100bn, yet there are signs that domestic lenders are still finding Belgium's gilts burdensome and unattractive. According to some Brussels bankers, BFr 560hn worth of Government paper bas now been disconnted in the secondary market and a recent state borrowing on the domestic market

One of the major factors con-tributing to the Belgian banks' mounting irritation is the current dislocation of interest rates. Short-term rates are higher than

of the Irish economy. Part of

It lead by the end of last

year to a buge balance of pay-

which meant defletion became

unavoidable. This, coupled with

the discipline involved in the

EMS, led to tighted credit.

the table partly shows and made

good profits from the easy credit

policy. In 1978-79 for example credit grew by 36 per cent.

"associated banks" as they are

was dropped because of poor

BELGIUM/LUXEMBOURG

GILES MERRITT

longer term ones, so the finan-cial institutions are in the stantially higher than in Balshort at a bigber rate than they can lend long.

The Association des Banques Belges was recently moved to complain, when the discount rate was lifted to 12 per cent from 10.5 per ceot (shortly before it was dramatically raised in late March by a further two points to an ell-time 14 per cent record). that "there is no longer any room for manoeuvre" in the economy.

Alarming

Indeed, subsequent indica-tions are that Belgium's efforts to stem the outflow of capital are not working. The problem is chiefly neighbouring Holland. for the interest rates on sight

known. The largest is the Bank

unwanted position of borrowing gium-around 13 per cent as against up to 7 per cent-and the effect has been to mon up Belgium'a smaller deposits at an alarming rate.

Squeezed betwen dwindling deposits and the continuing demands of the state, the banks are reportedly being forced more and more into the interbank market. It is, too, particularly galling for Belgian banks to find themselves paying around 17 per ceof for funds from the major Outcb benks in the knowledge that in part they consist of Belgian money that might have been deposited with them at 6-7 per cent.

The major Belgian banks which means to effect the Big banks made up Luxemboorg's Three Societe Generale de Banque, Banque Bruxelles Lam-

managed to record improvements in their total balance sbeets and in net profits.

Societe Generale de Banque last year pushed its balance sheet up by 14.5 per cent to BFr 856bn, with profits up 11 per cent to BFr 1.99bn. Banque Bruxelles Lambert announced that its balance speet had risen by 16.3 per cent and now topped BFr 600hn, with 1979 net profits n p12.6 per cent to BFr 705m. Kredietbank, where the reporting period ends on March 31, revealed last November that at the end of its first balf the balance sheet had reached BFr 408bn, up 16 per cent from

mid-1978. Not all banking in the eco-nomic union that links Belgium with Luxembourg, though, is so vexed by the problems. For Luxembourg's rise as a financial centre has made the tiny land-locked Grand Duchy just 200 km to the south of Brussels a mag-

net for international hanks. Only 15 years ago a mera 20 financial sector and their emphasis was chiefly on domestic husi-

bert an dKredietbank-beve all ness; their combined balance sheets totalled LuxFr 47.5bn. By the early 1970s the number of banks had almost doubled, while the total amounts of their balance sheets bad swollen as part of the new "offshore" phenomenon to around LuxFr-1.000bn

هكنامنالأصل

Today, thanks to Luxembourg's development as a major its tax net. centre for the Euromarket and for portfolio investment, the Duchy's banking sector has, in terms of ectivity, recorded a bundredfold growth since the mid-1960s. By the end of last year the 108 banks operating in the Duchy hed passed a combined halance sheet mark of LuxFr 3,000hn. To underline the point, it isperhaps worth pointing out that that total of about \$100bn compares remark-ably well with the \$280hn balance-sheet total of all the foreign hanks currently opera-ting in the City of London.

Belgium's own attitude towards the Luxembourg miracle is, to put it mildly, ambivalent. On the one bend the Belgian State welcomes the extremely

Duchy's banking sector makes to the joint balance of payments of the Belgian-Luxembourg Economic Union (BLEU). On the other it tends to be deeply mistrustful of the effects of Luxembourg's strict banking secrecy lews and separate fiscal regime on its own banking system and

There are no workable controls on currency movements across the long land frontier bourg, and all the signs are that undeclared deposits, both personal and even corporate, represent a drain oo Belgium. Defenders of the present position argue that Belgian francs deposited in Luxembourg a5hd deposited in Luxembourg accounts do not affect the overall "monetary mass" of the BLEU, but not so long ago the Belgian regulatory authority, the Commission Bancaire, was moved to warn Belgian banks operating in both States that it is a serious offence even to advantages of depositing money

Conditioned by EMS membership

BANKING IN IRELAND has been conditioned and is being transformed by the Governement's decision just over a year ago to enter the European

Monetary System while the UK decided to stay outside. arcland's historic 150-year-old link with sterling, and meant that the central bank and the branch banks had a greater degree of control over interest

Since March last year when the EMS started to operate, the central bank has become more interventionist in the banking osystem. It has laid down more stringent credit guidelines than at used to, and started to reform the wholesale side of the bank-

has been necessary because of the greater discipline involved in being effectively part of a ettracted fixed interest rate structure. which is what Ireland has

IRELAND

STEWART DALBY

Before Ireland joined the EMS the punt was linked at this expansion was Government parity with sterling, which stimulated with public sector meant that for all intents and spending increased and easy purposes Ireland was as much credit available from the banks, a part of the sterling area as Liverpool or Wales

Borrowers in Ireland . bed . ments deficit on current account, automatic access to what for them, was e vast reservoir of funds in sterling. Interest rates ne wholesale side of the bank- in Ireland, including those on EMS, led to tighted crediting business.

Government bonds, had to stay Before then the banks in Central bank officials have close to those prevailing in Lon- Ireland did bectic business, as argued that a tougher stance don, or perhaps a to a to per cent better than those in London, if deposits were to be

The period immediately pre-ceding membership of the EMS

Irish bank is Allied Irish The Illster Bank is a subsidiary of Britain'a National Westminster and the Northern Bank maintains a similar relationship with the Midland Bank.

The Northern and the Ulster Banks conduct about half their business in Northern Ireland and the UK and the rest south of the border,

Apart from the four main associated banks, which bandle some 49 per cent of all retail or over the counter business there are forty other non-associated banks. These range from retail banks to merchant banks and include some foreign banks like Banque Nationale De Paris and Bank of America.

Having an independent cur-rency has meant expansion of foreign exchange business.

Two areas where the associated banks diffar from the nonassociated banks are interest rates and liquidity ratios. The associated banks operate as a controlled cartel. operate through the joint standing committee which fixes rates for all four. The liquidity ratios kept with the central bank also also differ for associated and

non-Associated banks. While profits soared ahead until the end of last year, the picture began to change this

Correct

Ireland had imposed exchange Ireland had imposed exchange been little pressure for bolders controls at the eod of 1978. But of sterling or dollars to invest the Bank of England did not in Irish pounds either directly it necessary to impose controls against sterling going into Ireland and then possibly that there has been little out again, thus creating a specolstion.
"Dublin gap." In view of the The comp

strength of sterling this has has turned out to be the correct

Ireland boped when it joined the EMS that the link with sterling would be maintained at parity. With sterling strengthening however. Ireland met its European obligations.

Staying with sterling would have meant breaking the ceiling Ireland's pound is allowed within the EMS. So the link was broken. With the exception of one day

the Irisb pound bas stayed helow sterling at one point touching 87p. There has thus or through Irisb gilts. The currency is so small moreover

The comparative weakness of

PROFITS OF THE ASSOCIATED BANKS (£m before tax)

	•				
	1974-75	1975-76	1976-77	1977-78	1978-79
Bank of Ireland	18.1	25.5	32.5	42.8	46.9
Allied Irish Banks	15.0	16.4	23.0	34.5	41.0
Ulster Bank	6.4	6.4	7,2	16.8	13.2
Northern Bank	7.8	8.9	9.4	9.2	11.1
TOTAL	47.3	57.2	72.1	97.3	112.2

Note: Bank of Ireland and Allied Irish Banks eccount to year-end March 31. Ulster Bank and Northern Bank use the calendar year.

the Irish pound against sterling special deposits with the central coupled with the repatriation of bank at punitively low interest borrowings from abroad and a rates. This year the guideline tigheter credit line from the bas been set at 13 per cent. central bank meant thet money in Ireland was extremely tight has become virtually impossible for most of 1979 and the early to obtain personel loans for part of this year.

that to prevent renewed infla- loans for bouses. Personal tion, imports and pressure on lending is not supposed to rise the Irish pound, credit was not above nine per cent, allowing to increase by more than 18 lending for industrial purposes per cent in 1979. Any bank to go above the 13 per cent exceeding this bad to place guideline.

One result bas been that it things like car purchases, and The central bank decreed very difficult indeed to get bank

Greece

CONTINUED FROM PREVIOUS PAGE

matically, rather than by working bould and pay adjust government decision, on the regulations, though pay adjust arising ments were also brought in It from deposits. Commercial bad edverse effects on trade and banks ere now obliged to deposit with the Bank of Greece a proportion of their deposits. in foreign exchange as well as

This has particularly affected foreign bank branches, which traditionally have a high proportion of deposits in foreign

A prolooged bank employees strike at the beginning of this year drew attention to the power of a small but stubborn trede union with about 35,000 members to all but cripple the country's monetary transactions.

Cash and banks at sight

and tente

are now determined auto. The strike was called over circulation.

After the strike was over, drachmas 2.7bn in deposits flowed back to the banks in the second half of March. By April transactions to handle.

If anything, the strike also helped to emphasise the high cost of salaries as well as the limited automation services.

rather than by working bours and promotion Common Market will compel Greek banks to think and act internationally. In the process, they will bave to streamline their operations and give up sbeets. Among other effects This will increase their composits and excessive at home and abroad and join the Eurocurrency and other

international markets. Accession will inevitably spnr Greek banks to enter such fields the situation bad practically re- as foreign exchange markets, turned to normal, though there leasing systems, and even was still an enormous backlog of merchant banking for the first

> It is a challenge which, in all likelihood, they will be able to

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Another successful year for BIL

DOMO OF BAIN		
Bits and notes	6,913	230
Loans and advances	30,490	1,016
Securities	2,759	92
Fiduciary accounts	2,386	80
Miscellaneous	2,765	92
Fixed assets	2,040	68
	104,144	3,471
Liebilities Luc	france mation	US\$ million
Current Rebiblies		
Due to banks	- 27,592	920
- Customers' deposits	65,741	2,191
Miscellansous	4,485	149
Fiduciary accounts	2,385	· .80
Shareholders' equity and borrowed capital	2,799	93
Provisions	848	. 28
Available profit	296	10
	104,144	3,471

Luct france million USS million . Total assets of Lirs. 104.1 billion, representing an increase of 22% with regard to 1978.
This exceptional growth is due above all to the customers' deposits which were more than 30 % up on

Own resources reaching Lirs, 2.8 billion. Net profits of Lirs. 290.8 million as compared to

Life. 260 million in 1978.

Same dividend as in 1978 (Life. 229.41 by share; Life. 195 net of withholding tax) after a capital increase from Life. 1,006 million to Life. 1;500-million. Senior Lucembourg Bank, founded in 1856, only private bank in Lucembourg with the privilege of issuing bank notes, Banque internationale a Lucembourg is a first-rate bank of Lucembourg-City, one of the foremost.

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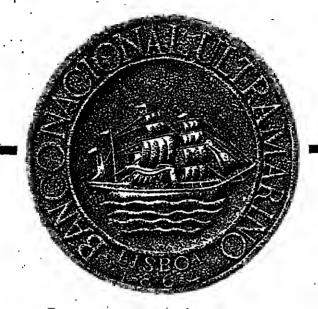
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PORTUGAL MOVES INTO THE FUTURE

The sahilisation programme that was introduced over the past two years bas resulted in a clear turn-around in the balance of payment. From \$1.5 billion in 1977 the current account has registered in 1979 a surpus of about \$150 million. This was accomplished through the introduction of a "crawling peg" exchange rate system, a celling on salaries' increases, a monetary programme to control total domestic credit and an increase in interest rates. The substitution effects between non-traded and traded goods have been quite strong and Portugal has been able to maintain a gross domestic product growth rate comparable to the OECD average (3.7 per cent).

But the policy of dearer and rationed money has brought about a slowdown in iovestment activity, both public and private. That is one reason why the present Government considers the turn-around in fixed investment a top priority. The 1980 Plan forecasts a 6 per cent growth rate for fixed investment. Public sector investment will Increase substantially. However, most of the effort towards increasing exports and creating employment has to come from the investment of private firms.

The big push in investment is also needed to create new capacity—since the existing one is almost fully utilised—to accelerate GDP growth rates in the future, to internalise the benefits of technological transfer from abroad and, in general, it is indispensable for generating the change in productive and technological structures badly needed for the forthcoming entry into the European Economic Community.

Several measures have already been taken or are about to be taken to promote domestic and foreign investment. The Government is seeking to restore international confidence by honouring nationalisation debts. The first group to be paid will be foreign capital. Studies are almost complete on the full value of foreign property nationalised. The Government is also studying the conditions under which the resulting bonds can be mobilised for investment purposes. Interest will be backdated, though not immediately paid in full.

The Government is also preparing a simple nondiscriminatory system of incentives for fixed domestic and foreign investment. This will comprise a package of financial (reduction in interest rates) and tax incentives (tax reductions). The level of incentives will depend on the project's contribution to solve present Portuguese problems. These will include the contributions to further economic growth, to the balance of payments, to increased employment and to correct regional imbalances. Financial incentives has started to be implemented since last year. These had a cost of about Esc 5 billion to the Panco de Portugal. The Government has also given quite substantial benefits for several important foreign direct investment projects.

In the public sector, the Government is preparing plans for some important projects. The sectors selected are in the energy field (four new hydro power stations in the north), the steel industry (adding another 1 million tons to capacity), mining (to include the development of pyrites in Alentejo), transporation (renovation of the air fleet, construction of small ships and improvement of the road, railway and urban mass transit systems), bealth and education.

The role of foreign capital may be particularly important in all this process, having in mind its contribution to fill the gap in domestic savings as well as the deficit in the external current account, expected for 1980. This will be due to the increasing oil prices and, to a lower extent, to a more expansionist economic policy.

But, is Portugal safe enough for international investors? Which guarantees can it offer to its creditors

PORTUGAL'S OFFICIAL FOREIGN DEBT (End of period)

	US\$ million Items	1977	1978	1979
1.	Public Debt	S07	1,509	2,105
2.	(a) Direct (b) Private, with government guarantee Bank of Portugal	319 488 1.681	894 615 1,924	1,276 829 1,616
3. 4.	Official Foreign Debt GOP	15.9	3,433	18.4
5.	Official Foreign Debt Official Gross Foreign Assets	57.4	59.1	34.9

First of all one has to remember that modern Portugal has always behaved impeccably as far as honouring its compomises is concerned. This was true even in the more difficult years of large deficits in the balance of payments. Nonetheless, it will be convenient to characterise, briefly, the situation of the Portuguese economy, relating to its capacity to service its foreign

Portugal's foreign public debt, including private debt with Government guarantee, bas remained within perfectly acceptable boundaries. It was only in 1977 that the country began to revert increasingly to this type of financing. Before that, in 1974/76, Portugal used its gold and foreign exchange reserves and allowed the monetary institutions to increase their net foreign liabilities. If one adds to that the foreign debt of the Bank of Pontugal, the situation does not change substantially.

As a matter of fact, the official foreign debt outstanding, including the foreign debt of the Bank of Portugal, accounted, in 1979, for a lower share of GDP (18.4%) than in 1978 (19.3%) and is widely covered by official gold and foreign reserves, which, at the end of 1979, amounted to \$10,654 million (with gold value at market prices, on the basis of the average quotation on the London market for the fourth quarter of 1979). This is almost three times the \$3,721 million of the official foreign debt. This comfortable situation is the result of the increase in the price of gold in world markets and of the recent turnaround in our current account.

Summarising: figures for Portugal's foreign debt look rather good by current international standards. This is particularly true when we compare its situation with that of many other countries now borowing in international

*Official gold reserves amounted to 698 tons at the end

 BANCO DE PORTUGAL RESEARCH & STATISTICS DEPARTMENT

WORLD BANKING XVIII

Threat to interest rate agreement

THE TIME-HONOURED system So it is not surprising that it banks from the rule that except stock banks and the under which Austrian banks was the joint stock banks which in the special case of Vienna savings bank in their own

ground there is the entire question of wbether the country is

It was the joint stock banks which pushed ahead with special vigour in search of the savings desposits of the small man. But this spring Dr. Heinrich Treichl, chairman of the executive board of Creditanstalt Bankverein, largest Austrian bank, publicly wondered whether sufficient regard had been paid to profitability.

might never bave been opened, been extended, and some deposits might never have been

Savings

been less drastic in Austria tive sector, while giving freedom Erste Oesterreichische; have than elsewhere, bas taken its of movement to banks and grown into universal banks in toll. Last year the joint stock others in the higger league. banks actually lost savings deposits as customers switched to more profitable term deposits or to fixed interest securities. Several groups with distinctly deposits are interest. Moreover, interest arhitrage caused funds to flow abroad.

sector, with a less sophisticated by the new regulatory Acts of which provides cooperative clientele. The savings hanks last year which, potentially, marketing and purchasing facility turned all Austrian credit institutions into universal banks. Like the savings banks, the lower than in previous years. Last year's legislation, for The Raiffelsen group, which is instance, gave all but the into a network of institutions firmly rooted in the farming smallest members of the coproviding the full range of population, havely felt the operative sector the right to retail services. population, barely felt the switch to other forms of

under which Austrian banks and credit institutions agree took the initiative by giving among each other what rates notice to terminate the cartel, they will offer to depositors is in danger. The joint stock banks have given notice terminating the agreement with effect from July 1.

Not only the interest rate cartel is at issue. In the background there is the entire questions agree took the initiative by giving only one savings bank should the rest of the mand only one savings bank should the rest of the mand the Ralified through the rest of the mand through through the rest of the mand through the rest of the mand through through the rest of the mand through through through the rest of the mand through through the rest of the mand through through through the rest of the mand through through through the rest of the mand through through the rest of the mand through through the rest of the mand through the rest of the mand through through through the rest of the mand through through through the rest of the mand through thr

they argued.

ion of wbether the country is

Should the cartel really be of banking business and acting ended, all deposit rates would at the same time as holding or every 1,600 inhahitants.

be free except the so-called companies for what by Austrian

AUSTRIA

W. L. .LUETKENS

Had profit been the first con-able on savings accounts with cero, he mused, some branches legal notice of deposit.

Those differences have not The trend was much less pro-nounced in the cooperative never will be fully obliterated) by the new regulatory Acts of

central rate " (Eckzins) pay- at and ards are industrial empires. It should be noted here that the joint banks behave like private lostitutions; though the stansferable by cheque. In their case the law says that failing an agreement interest shall be paid equivalent to half the nominal interest due on current.

Not so long ago savings

Not so long ago savings

Given the political aspect of gages and local government the "central rate," there is a loans. They now offer the full good chance that the cartel will range of retail banking services, and the higger savings banks, which would please the run of interest rates, though it bas the institutions in the co-operative sector, while giving freedom in Vienna, Zentralsparkasse and the larger savings banks, and the higger savings banks, which would please the run of in Vienna, Zentralsparkasse and the larger savings banks, and the higger savings banks and the higger savings banks, and the higger savings banks, and the higger savings banks and the higge all but name.

It may he supposed that in the argument about interest rates their instincts have been on the side of the joint stock

Raifeisen is a very special case. The farmers' banks are part of a large organisation which provides cooperative

brench in London this well as the two large Via Initially the Austrian made

their international appear through consortium b took account of their hanking has lost some of its attractions now that the larger partners prefer to go into business no their own often compating with the consection of which they are part. Some difficult decisions may therefore have to be made in Vienna have been keeping a close watch on the foreign business of their banks, preferring to keep a fairly tight hold on its

Current account

In part they want to dishi the country from the impact of volatile international in reach AS 37bn (about £1.3bm) this year they want to reserve creditworthiness country for balance of paymen borrowing, rather than other

Since both the Miniser of Finance, Dr. Hannes Andre and the president of the Austrian National Bank, Pre fessor, Stefan Koren, are firm been easy to achieve and wil continue to pose problems

operative sector the right to retail services.

The argument about issue securities in their own nome. It also freed the savings international presence: the joint that most clearly.

Reassuring transition

THE SMOOTH transition to collective leadership which followed President Tito's illness ing to bankers as to everyone Yugoslavia, they have decided, is not likely either to split into its component parts or to be invaded by Soviet tanks in the foreseeable future. That leaves Yugoslavia's economic

main cause for concero. It is now the conventional wisdom that keeping the eco-nomy on an even course will be one of the most important challenges facing the collective

Politically the problem is ensuring that the six republics and two autonomous provinces feel they are getting an equitable share of the national economic cake. Economically the problem is ensuring that local ambitions and rivalries do not lead either to wasteful duplication of investment, or diversion of resources to prestige projects of doubtful economic value.

Inflation is now a major problem. Officially retail price inflation was around 22 per cent last year, but ordinary Yugo-slavs feel that 30 per cent would be closer to the mark. Wages and salaries barely kept pace with inflation, but consumption unsustainably high levels.

The net result was an overbeated domestic economy which continued to suck in imports far faster than exports leading to a record trade deficit of \$6.5bn and a balance of pay meots current account deficit of over \$3bn.

The overall economic strategy this year is aimed at GNP growth of around 5 per cent compared with 6 per cent in 1979 and even higher the year before that. At the same time Yugoslav enterprises are now under pressure from the republics to increase their exports and cut back on imports. Under the Yugoslav system each of the republics has responsibility for its own balance of payments. They are supposed to keep its deficit to within limits agreed at a federal level Early this year the republics agreed that this year the balance of payments deficit must be cut to \$2bn.

That was the easy part. The difficulties came when the republics spending plans were added up. The sums showed that a \$5bn deficit would arise if all the plans were carried through. But no agreement has yet heen reached on the projects which each republic will have to sacrifice if the overall target is to be achieved.

Enterprises bave been set the target of achieving a 6 per cent rise in export volume this year while keeping imports at last year's unsustainably high level. This requires reversing the

YUGOSLAVIA

ANTHONY ROBINSON

trend of stagnant or declining some of its expensive, and fragtributed to steadily rising bankers were not very bappy and financial problems as their greement with the EEC will belp to boost exports, as will the by five or six Yugoslav banks so crealion of a new export credit far this year.

bank. But Yugoslavia will continue to need considerable by Bankers Trust the Yugoslav foreign funding if it la to main-current account deficit can be tain plans for economic growth expected to continue at between in the 1980's which include large \$1.5 and \$2.5bn a year over the scale energy and raw material next decade, implying an esti- looks like having to pay higher

export volume which has con- mented, earlier borrowings. But deficits over the last four years. about the operation and have The new five year trade reportedly not shown much enthusiasm for approaches made

According to a recent study

rising at about \$2bn a year. Given Yugoslavia's -potential for grnwth, and its political and strategic importance, this should not present any special problems. But if Yugoslavia is to get the kind of terms it wants bankers suggest that Yugoslav banks will have to coordinate their approach much more successfully than they have done so far.

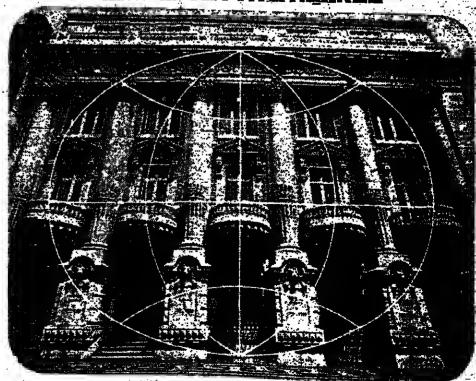
One banker commented that the Yugoslav banks seem to be much better at competing amongst themselves for funds than combining to fight for better terms from potential lenders.

While this fragmented approach continues Yugoslavia development schemes. mated average annual gross margins and commissions than Last year Yugoslavia managed borrowing requirement of either its credit worthiness or to renegotiate the terms on between \$2.5bn and \$3bn This other factors justify.

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anistive Office: Av. Francisco de Mirando ... Felici Governmento.

Presence of foreign banks proves helpful

Admission has been selective, not free, and the authorities have applied restrictions on the incomers activities. Nevertheinternational banks inside the Spanish banking system is already having a catalytic effect es—and despite strong objections refrom the more conservative zispanish banks the wisdom of the admission has been generally accepted:

12. Initial fears that major interemetional banks with more specificated techniques would

BEFORE THE end of the year ing grounds, like peseta busi- so will a total of 20 foreign banks, ness and the granting of force. should be operating in Spain, guarantees, have proved unions of the granting in Spain. Two years ago there were only founded. This is mainly because four, all of which for differing the 108 Spanish commercial historic reasons had been active and industrial banks continue in spain for some time. The to enjoy protection. For admission of foreign banks, instance, foreign banks, peseta under a decree approved in dealings cannot exceed 40 per line 1978, is one of the few cent of their assets inside ractical signs of the Govern- Spain, which for most of them ment's avowed intention of effectively means an appront liberalising the banking and fee of Pt 750m (£5m) to be paid mancial system to bring Spain to set up operations. For their more into line with European part the foreign banks, limited to three branches, have never seriously considered expensive initial investments in retail banking

> The new foreign banks bave preferred to concentrate initially on the wholesale end, and on servicing existing clients.
> The first batch of ten foreign banks, admitted last year, helped raise the total share of foreign banks in banking system deposits by about one per cent to just over two—the same to just over two-applies to credits. overall share of

Post-revolution development

NOTHE UNPREDICTABLE nature toof Portuguese politics in the six tayears since the revolution bas howhere been more mirrored inthan in thet fate of Portugal's nt banking aector.

Banking was one of the sec-Civhich the revolution almost mimediately claimed for itself: the State took effective control of over 95 per cent of all banking activities, making Portugal's nationalised sector the largest ful in Western Europe.

Today, attempts by Portugal'a Atlantico have been encouraged ecently elected Centre-Right coalition to open up banking to the private sector have again generated widespread opposi-tion among the Left wing, inditating that controversy in the sector has not disappeared, even though Portuguese banks in general have settled down to a period of normality after the

initial disruption. That the banking sector re-rates (7.5 per cent) which the nains such an emotional issue banks and the Bank of Portugal mains such an emotional issue in Portugal stems: from the are obliged to purchase. particular nature of the Portuguese economy before the dominates the existing inter-bank market. Effectively there

During Portugal's half cen-tury dictatorship (finally oversthrown on April 25, 1974), chanks grew to enjoy a particudarly privileged position.

is. The banks were generally orfamily run and were part of siconglomorate empires that bad wide ramifications in industry, sithe serveices, and agriculture. The sector had to a large extent come to symbolise the social inequalities which then existed in .Portugal.

Privelege This explained why nation

is alisation was so widespread, and, for a brief period, extreme. is During the height of com-simplist influence in 1975, bank Temployees took over boardcaroons, forcefully expelled commagers, and mocked banking secrecy by divulging confidential statements to the world's press.
Since the end of 1975, however, communists bave been purged from positions of influence and at the same time a new sense of order and discipline bas been established. Plans to transform nationalised banks into specialised institutions in charge of specific sectors of the economy have been dropped. The sector bas remained

entralised, bowever, and poorly diversified compared to other western European other western European coun-tries. Three foreign banks: Banco do Brasil, Bank of London and South America, and Credit Lyonnais, survived the revolution, but their present day presence remains small in terms of market share.

They have been primarily oncerned with financing trade with their respective countries, and are subject to the same rules, and regulations as the nationalised banks.

The Portuguese hanking sys-tem is largely characterised by the power and influence of the Bank of Portugal.

The Direccao Cordenadora de Instituciones do Credito is a special department within the Bank , which was set up in .1976 to supervise the running of in-dividual banks including budgeting and accuracy of re-

orus. The department also tries is unité certain aspects ef common rtiffix such as standardisation of cheques, co-operation in computer reading, and distribution of branches.

Munstary policy has given the Bank of Portugal unique powers in controlling credit expansion and setting the re-discount rate. The Bank also pees the value of the escudo and controls

Fairly strict guidelines are

PORTUGAL

JIMMY BURNS

tinne to be decided on a bank-by

longer committed to unified advertising. The larger ones

like the Banco Portugues de

to extend their operation and

limited by the system. The capital market in Portugal still

has a very narrow base. The

bulk of Government debt is

directly with the Bank of Portugal A substantial propor-

tion of bonds issued by the Government are at non-market

The Bank of Portugal also

are two markets. The first is for 24.48 hour funds, the rates

for which are fixed by auction. This is the principle means of

absorbing short-term liquidity.

market which involves the Bank

of Portugal selling off bonds from its own portfolio at dis

counts determined on the day

Lacking in the present system

The growth of the capital tarket is expected to be

stimulated by the admission of private enterprises into the system. Nevertheless dramatic

overnight change is not ex-pected, at least not until after

the next general election in October which the Centre-Right

Government is again expected

Until then any attempt by the Government to open up key

sectors of the economy such as

banking to the private sector is expected to come up against the legal obstruction of Portugal's

socialist constitution. This still

defines the nationalised banks as one of the "conquests" of

It is significant that the present Government's decree permitting the operation, along

general rather than specific terms. It is assumed moreover

than when and if more detailed legislation is produced it will

be similar in scope to the model introduced in Spain last year.

law includes a large entry fee and restrictions on local currency dealing and the

amount of business in profitable

As a result foreign banks are

unlikely to feel encouraged to establish themselves right away, They will prefer to mark time

and in some cases put a foot in

One can already see this in the decision of some foreign

banks, namely Chase Manhattan.

Citibank, and Manufacturers

contative offices in Lisbon over

Moreover, private enterprise

has been showing an increasing

interest in the possibilities offered by the legalisation last

ear of investment companies.

These will be entitled to grant medium and or long term

Although the law is still looked upon by investors as too

restrictive it has nevertheless

number of mixed groups made

up of Portuguese businessmen keen on re-establishing them-

door without walking

guarantees

straight on.

Hanover

Portugal.

the past year.

The Spanish foreign banking

side state-run institutions,

private banks is phrased

are short-term Treasury bills.

open branches abroad.

agriculture, local government

One interesting example of where the foreign banks bave acted as a catalyst is in stimulating an acceptances market on loopholes in existing legislation decided late last year that it was worth trading acceptances on the Madrid Stock Exchange. The first reactions of the larger Spanish banks was negative and indeed the largest, Banesto, tried to block the move. But the Ministry of Economy stepped in to least its support to the initiative and now the largest have

idea has taken root. There have been some gripes, in particular prompted by the application of banking system and industrial banks, which are privately owned, and the are privately run but ere non-profit making, serving—in theory at least—a socioeconomic function. Side by side State-run specialised credit institutes under the aegis of the Instituto de Credito Oficial

griculture, local government to spread the risk. Within the next five years it is unlikely that eny of the existing industressures on profits, coupled trial banks will still refer to continued official con-

SPAIN

ROBERT GRAHAM

interest rates, have created a fairly clear division of activity. The commercial and industrial banks are concentrating on short-term lending. The savings banks, which eccount for some 30 per cent of total deposits in the banking system, continue to be used by the anthorities as a tion. major source of funds-just over 60 per cent of all savings bank deposits are channelled to officially directed investments other in bonds, Treasury bills

Nominees The sharp decline in stock market values plus deterioration of cash flow positions of caused problems. One remedy has been a general levelling off of new investment. More of new investment. More important, the industrial banks (ICO) that provide medium and bave begun to opt for multilong-term finance to industry, purpose functions, moving moving long-term finance to industry, purpose functions, moving banking

feature of Spanish banking-the very substantial control of industry and the service sectors by the private banks-will remain. Banks are strongly linked to industrial concerns both through equity participation and boardroom representaparticipation may small, as in the case of the powerful privately run utilities, but its real control is substantial through the practice of acting as nominees for share-bolders who have deposited who have deposited shares with it.

The banking system as a whole remains dominated by the so-called "Big Seven"—Banesto, Central, Hispano. Bilbao, Vizcaya, Santander and Popular. These banks account for 52 per cent of commercial bank lending and 58 per cent of commercial bank deposits. Within this grouping there are really two divisions, with Banesto, Central and Hispano at the top and then the rest. Since 1977 these three leading banks have grown consider-

The most notable absorptions bave beeng Central's takeover of Iberico—owned by the Fierro family—and Banesto's takeover of Coca and its 17 per cent purchase into Banco de Madrid. The latter two moves bave caused enormous problems of absorption for Banesto, largely because the acquisitions were ill-prepared.

Another noticeable trend within the banking system is for reported profits to decline and fail to match inflation. An analysis of bank results made by the Bank of Spain last year showed that in 1978 bank profits rose overall only 1 per cent. This compared with an overall increase in 1976 of 19 per cent. The study also showed that during 1978 there was a significant rise in bank losses, up from 682m to Pta 4.1bn. Losses 1979 are expected, bowever, have risen further.

profits come from the need to set aside increased sums for doubtful debts and equity write downs, higher costs and higher personnel expenditure. The remarkable feature has been the increase in adjustments to take account of doobtful debts, losses in portfolio assets and amortisations. These adjustments follow new and stricter rules from the Bank of Spain. In the case of the Big Seven banks these adjustments were reckoned for 1979 to be

It is reckoned that the 1.5 per cent and 1.8 per cent of total risk assets tied up in doubtful ful debts. The aerage for the banking system as a whole is nearer 3.2 per cent.

هكذامنالأجل

Hospital

Last year the Corporacion Bancaria—the "bank bospital" -was created by the Bank of Spain in conjunction with the commercial and industrial banks. This was designed to take over and administer those banks that had accumulated such financial problems as to be wholly unattractive for a combanks were absorbed in this way, plus subsidiaries. But the mechanism was unsatisfactory since insufficient funds were available to restore successfully the troubled banks, which thus risked staying permanently in

bospital Since April, bowever, a new This is an enlargement of the Banks will now be obliged to per 1,000 basis, with the Bank of Spain matching the total conthis way some Pta 12bn will be available this year both to guarantee individual depositors up to Pta 750m plus providing funds either for a bank to re-

The first case of the fund being applied has already arisen with the Lopez Quesada Bank. The fund will underwrite a new capital increase bot on the basis that the bank first reduces its existing capital.

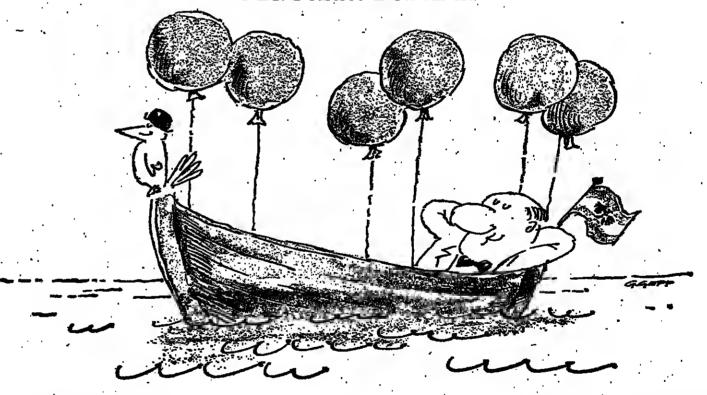
The new system should also belp avoid a practice which had become increasingly prevalent. To prop up ailing banks, the Bank of Spain had been obliged to provide substantial credit lifelines. Controlling the bank system has absorbed a good deal of the authorities' energy. It will now focus on developing a more sophisticated capital

the conditioning of the system, through long habit, to the "privileged circuits." These are the perceotages of funds which the banks are obliged to set aside for State-directed investment such as INI, the State bolding free funds. Interest rates are thus subject to a

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GES

foreign exchange.
Some Portuguese bankers complain about the extent of centralisation which exists in Portugal although they admit that a degree of liberalisation has worked itself into the

at here and abroad

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	Balance sheet	as at	
· *	1.1.1900	1.1.1979	Rate of
	3	3	increme%
ASSETS		•	•
Cash and the from banks	662,405,620	509,084,988	30,1
Reserve requirements	446,137,54%	311,309,920	43,3
Investment securities	119,974,747	114,334,274	4,9
3.cens	1,227,316,541	300,453,331	53,3
Participations	59,302,350	48,496,537	22,3
Bank premises and equipment	35,136,506	25,856,685	33,4
Other attels	130,641,399	94,655,295	38,0
Total sesses	2.681,614,521	1,905,191,430	40.8
LIAMLITIES			
Deposits	1,219,609,965	1,281,710,224	42.0
Borrowed funds	525,966,871	393,201,304	33,8
Other Rabilaties	245,028,179	164,102,649	44.3
Total liabilities	2.590,605,015	1,839,014,177	40.9
STOCKHOLDERS' BOUTY		. ——	. ===
Capital	28,571,429	17,142,857	66,7
Reserves	51,489,406	35,1\$6,796	46,3
Provisions	10,948,669	13,847,600	20,9
Total stockholdest equity	91,009,506	66,177,253	37,5
Total liabilities and			
mockholders, edinity	2681,614,521	1.905,191,430	40.8
(Courseled at TL 55.00-E.S. \$ 1		,	-

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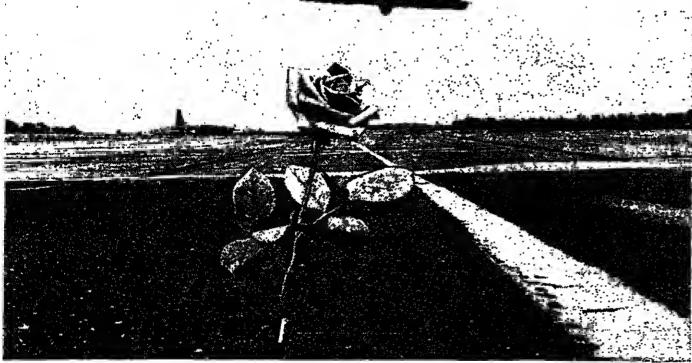
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Growth in real terms despite inflation

ISRAEL'S hanking system again showed satisfactory growth in 1979, despite a rate of inflation which almost doubled to 111

Total domestic banking assets grew durin gihe year by 12 per cent in real terms, and have risen by approximately 2.5 times in the period 1974-1979.

banking system bad evolved o werr variety of channels through tion which it was possible to hedge against the accelerated inflation

Medium-term savings, which are linke dto the cost of living. increased by about 123 per cent. Short-term domestic deposits, foreign denominated currency, more than doubled.

ome 90 per cent of the public's per cent added cost on borrow These two groups amounted to total deposits in the banking system in 1979. Five years ago, in 1974, the relative weight of about 66 per cent.

In recent years, the banking liquidity in commercial banks. world bas developed two alternatives to time deposits, both in iomestic currency. Certificates of deposits were first introduced in mid-1978 and within a year attained the same volume as time deposits.

Liquidity

By the end of 1979 the amount of CDs reached £14.5bn, or 50 per cent more than total time deposits. Interest rates on CDs often matched, and even surpassed, those on time deposits, despite CD's higher liquidity.

The alternative instrument that inflation bas made popular is the medium-term deposit linked to the cost of living. The deposit is closed for an average of 21 years, and in return is fully linked to the cost of living index, plus 6-7 per cent fully lioked interest.

It is hardly surprising that the demand for these deposits tripled during 1979, and their quantitive importance is now similar to that of CDS.

At the beginning of January 1979, the overdraft rate stood at 35 per cent. while expectations for inflation ranged between 50-70 per cent The

ISRAEL

ILAN BARZEL-BRAZIL

central bank, which directs monetary policy, pressed the commercial banks not to raise existed in Israel since the their interest rates, on the beginning of the decade, so the assumption that cost factors behind continuing infla-

> Furthemore, it imposed a freeze on foreign exchange borrowing, in an attempt to minimise the negative effect such borrowings had on main-taining the Israeli pound at an unjustifiably bigh exchange level. The freeze, initially imposed for a period of two mooths, was replaced by a 12 ing in foreign exchange, so the relatively low price of nonlinked credit, and the restrictions on foreign currency borcreated an excess demand

resulting liquidity The deficits in the commercial banks multiplied five-fold between the end of January and the end of March 1979, to reach a level of

In allowing the commercial banks to raise interest rates, the central bank imposed a ceiling on the volume of non-linked domestic credit. This measure was reinforced by an increase in the fines on failure to meet

liquidity requirements.

Commercial banks are divided by the Bank of Israel into four roups based on the size of their The first group includes Leumi, Hapoalim and

There is a significant difference in the involvement of the three groups in industry. Discount Bank is a 90 per cent owned subsidiary of the IDB Bankholding Group, which also controls two major industrial holding companies and has 25 per cent of CLAL (Israel) Ltd., Israel's largest private sector holding company. Bank Hapoalim is also believed to bold about 25 per cent of CLAL. but otherwise is not significantly involved in industry.

Foreign exchange

Foreign exchange operations, which had shown a rapid growth since the 1977 Liberalisation measures, advanced further in

denominated foreign currencles, which were 50 per cent of the total in 1975, reached 62 per cent, and for the first time total domestic assets in foreign currency exceeded those nominated in local Israeli pounds.

In company with many of their European connterparts, Israelt banks have been looking the U.S. retail banking

market for expansion. The Leumi Group was for many years the sole representative, but today Discount Bank, Hapoalim and most recently Mizrahi Bank, have all established themselves in the

U.S. The Leumi Group recently added to its New York retail capability by purchasing 15 branches of Bankers Trust

figures given in the table. The mounted to an estimat 15215bn on December 31, 1979.

A major issue, particularly in academic circles, is the "real" profitability of the commercial banks, whereas the three major groups had a reported 128 per cent increase in earnings at the attributable level and the smaller banks did even better. it does appear that there was a reduction in

equity. The actual size of this reduc tion depends on a number of factors, which are difficult to estimate, such as the behaviour of the values of bank property—none of which came to the

Controber: estimates show that in groups, against a 6.5 per ceu "real" profit in 1975.

The current economic outlo must remain one of uncertain While the Budget for the 19 1981 financial year could cut the inflation rate, most observers d not believe that year-on-year different from 1979. This vie has been strengthened by th announcement of a 43 per cent (M1)-during the first quarter

 Israel is in the process of converting its currency. Israel pounds to shekels. Fall implementation of the change aver has been delayed until

HOW THE TRENDS COMPARE

	•		grow (1)	th an	owth (S
b	n) 1978	197	9 197	19 19	74-0
	548	120			4.1
	265	60	27.	g i 1	7.9
•					

Total assets In foreign currency

(1): Compound annual. (2): Compound annual deflated by Consumer Price Index.

Foreign banks encouraged

PRIME MINISTER Suleyman Demirel's Government moved to open to outside com-petition the inward-looking banking system in Turkey that is a combination of State and private enterprise. One of the measures contained in Free Enterprise - Mr. Demirel's comprehensive economic package of last January - is to allow foreign banks to open branches in Turkey. Citibank, one of the world's largest banks and one of Turkey's biggest creditors, bas applied to open a branch. Other Western banks which bave representative offices in Istanbul Wells Fargo, Deutsche and Dresdner banks and Banca Commerciale Italiana), said they were not planning to enter the Turkish market just yet. But if the example of Citibank, which is virtually certain of getting the go-abead from the Government, proves lucrative other Western banks are expected to follow

Of the 44 banks operating in the country just four are foreign. The Arab Turkish Bank was founded in 1977 as a partnership between Turkey, Kuwait and Libya. The three other foreign banks were founded during the Otto-man era. They are the Ottoman Bank, which is the biggest, Holantse Bank Uui and Banko

. Banking regulations do not allow banks to lend or borrow foreign currency deposits, and banks that are allowed to have foreign currency cannot use arbitrage. The Turkish capital market is insignificant.

Most national banks have their headquarters in Istanbul, the country's centre of business and industry. The central bank, which plays a regulatory role in both foreign exchange and foreign trade operations, is in

The central bank is the issuing bank. It acts as financial and economic adviser, fiscal agent and treasurer to the Government, as well as implementing monetary and credit sive and getting more so with

TURKEY METIN MUNIR

terest a year.

policy. In consultation with the Finance Ministry and with the approval of the Government the central bank establishes the parity of the Turkish lira. It fixes the discount rate— currently 14 per cent—and controls the volume of credit. In recent years the central ank bas become politicised. Until 1978 governors of the central bank worked undis-turbed by the frequent govern-ment changes and were ment changes and were generally career civil servants.

This has changed since the sacking of Governor Cafer Tayyar. Sadiklar by Mr. Bulent Ecevit, the then Prime Minister, in 1978. Mr. Demirel is now pre paring to sack Mr. Ismail Hakki Aydinoglu, the present Governor. Mr. Aydinoglu bas obtained court backing to keep his position, but he may have difficulties and the fact remains that the central bank is as prone to be affected by winds of political change as all other government agencies.

Controls

In Turkey banking is strictly controlled by the Government which has the authority to estab lish interest raes and determine the areas in which credits are advanced. Recently at the behest of the International Monetary Fund (IMF), the Government bas increased bank lending, time time deposit and Government bond rates as well as the central bank's discount rate and has provided additional interest premium for time deposits opened by expatriate Turks in foreign exchange. These rates are currently being reviewed further to compete with infla-ion, which was over 80 per cent last year and will probably go beyond 100 per cent this

TURKEY'S TOP BANKS

	Consolidated assets (TL bn)	Prefits (TL
Turkiye Is Bankasi	116.8	707.6
Akbank	66.7	452.5
Yapi Ve Kredi Bankasi	-56.7	127.8
Turk Ticaret Bankasi	24.5	242.0
Warting County Darking	195	

the tightening control on money supply imposed by the central bank in accordance with IMF limits. Interest on medium term credit is 22 per cent and bonds offer up to over 40 per cent in-

The scarcity of credit has led many large private companies to seek control of the commer-cial banks. Of the 24 commer-cial banks nine are now controlled by family-owned groups. The Sabanci brothers control Akbank, the second is biggest commercial bang, and bave a substantial minority interest in Turkiye Garanti bankasi, the 5th largest at the beginning of

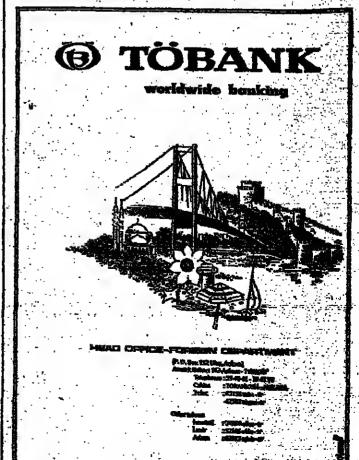
Garanti is controlled by Koc. the country's biggest industry conglomerate dominated by the Koc family which is a newcomer to the banking scene. Yapi Ve

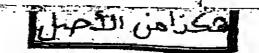
Kredi Bankasi, the third largest is reported to have been won by the Cukurova ludustry group which also controls Pamukbank, in the top ten.

Apart from the obvious dvantages of owning a bank thet law permits banks to ope unlimited credit lines to the parent companies while credit to others is limited to 25 per cent of the bank's paid-up

capital and legal reserves. An executive degree published in August 1979 tried to wrest control of the private banks from families and ate groups by restricting their equity to 30 per cent of the total. However, the degree of nelikely to any nnlikely in win spproval from Parliament, which is dominated by Right-wing parties. More private banks are thus expects to be acquired by the aggressive industry and trade groups.

Banking for the individual to not a developed service. Over drafts are illegal and credit cards are not widely used. Evec cheque books are not common Credits are channelled by Government institutions into areas "fruitful to the econe





UK newsprint industry struggles for survival

BY WILLIAM HALL

THE COLLAPSE of the brave annum to the balance of pay not so clear cut. Raed owns a viding a useful custion against olan by Wiggins Teape and Consolidated Bathurst to build a £100m newsprint mill at Fort William in Scotland has again focused attention on the uncertaio future of newsprint prodoction in Britain.

Britain is the third largest consumer of newsprint in the world. The U.S. uses around 10m tonnes a year, Japan 2.5m tonnes a year and Britain 1.4m tonnes. The Soviet Union, West Germany and Canade consume agother 3.5m tonnes between These six countries account for over two-thirds of the world's annual consoumption of 25m tonnes or so of

In spite of its impressive position as a user of newsprint. Britain's domestic newsprint industry is struggling for surmuch for its chances unless the Government decides that it waots to keep the industry allve. The story of the Fort William project is hardly enconraging. Ten years ago Britain was producing over half the 1.5m tonnes of newsprint it then consamed each year. In 1979 when British newsprint machines were running flat out, Reed and Bowater (the only two still left in the game) produced a mere

364 000 toppes During the past decade the newsprint market in Britain has stagnated — fluctuating between 1.3m tonnes and 1.6m tonnes a The two domestic producers bave been losing money. for years, and Bowater, in par-ticular, has made little secret of the fact the time is fast arriving when it will have to cease making newsprint in Britain. 'Bowater produces around two-tbirds of Britain's domestic output, contributea £35m per

ments (by displacing imports) string of British newspapers overseas strikes it is important and uses some 330,000 tonnes and has an interest in maintainof home-grown timber - a sig- ing e local source of supply as nificant proportion of the coun- a precaution against overseas try's annual timber production. strikes. In addition, its Ayles-Bowater's UK newsprint ford, Kent, newsprint machines operations are a drop in the are an integral part of that site ocean by comparison with its -one of the largest paper-

ranks among the top two or the world, and makes more than seven times as much newsprint However, even Reed ,which abroad as it does at home. built itself up on the profits abroad as it does at home. British newsprint mill at Elles-

mere Port would cause no major Tennessee, which is the largest in North America. For Reed Paper, which uses

a bigh proportion of waste paper in its UK newsprint production, the case for closure is print industry. Apart from pro-

father of the UK newsprint industry.

anly Reed and Bowater are now left.

in Kent, Bowater and others soon followed.

huge North American plants. It making sites in Europe-and their closure would upset the three newsprint producers in balanca since it would leave

The closure of its main of its original newsprint operation in Kent, will not always be prepared to pour good money supply problem. Bowater could after had maintaining newsprint easily supply the British market from its Calhoun mill in may not be far off when Britain has to import all its newsprint. For years successive Covernments and newspaper publishers

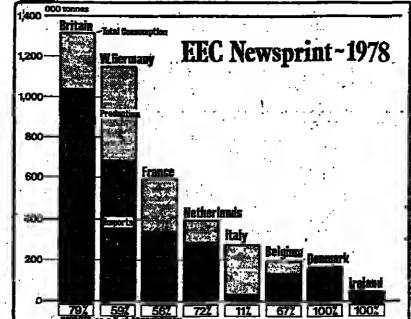
foreign suppliers. have paid hip service to the need for an indigenous news-

in times of international crisis when imports may be ent off, they argue. But British publishers are not prepared to pay a premiom price for the privilege of buying home-made newsprint, as Bowater found last year when it tried to raise its prices about the marekt rate.

Take any other major newsrint market in the world and the domestic industry is in a much healthier state than It is in Britain. Japan produces virtually all its own newsprint, while over half the American and West German newsprint consumption is met by imports, both countries are investing heavily in new capacity to reduce their dependance on

According to the latest survey of new projects carried out by the Food and Agricultural Organisation of the United Nations, West German newsprint capacity is intended to rise by over 50 per cent between 1978 and 1983. In the U.S. capa-city is being increased by over

By contrast, Britain is not investing in new capacity and its newspriot machines are so old that they are unsuitable for producing large quantities fo paper for offset litho printing, one of the few growth areas in the British newsprint market. Nevertheless the machines are better than many ethers. Dr. Ingram Lenton, Bowater's UK chief executive, describes them as at the "top end of the second division." Certainly there are economies of scale in having large modern machines capable of producing 150,000 tonnes per aonum. But their absence is not the real reason for the decline of the industry.





هكذامنالأجل

raw material and energy costs are considerably higher than those of its main competitors. the Scandinavians and the Canadians. According to Dr. Lenton, British wood costs \$120 per ton of pulp. This is double the cost in eastern Canada which contains a quarter of the world's newsprint capacity and is 20 per cent higher than in

Paper making requires much energy, and British newsprint producers labour under an evan bigger burden in this respect. Bowater has calculated that power costs in eastern Canada amount to \$12.75 per megawatt compared with \$40.60 per megawatt in tha UK. The comparable figure for Sweden in \$23.70.

Sterling price

In 1975 and 1976 the major overseas suppliers which dominate the British market became increasingly conceroed by the sharp fall of sterling. To protect themselves from further erosion of earoings they introduced currency parity clauses, When sterling fell below a fixed level the suppliers iocreased their sterling price thereby maintaining their dollar

joining EEC.

orquay (to May 20).

earnings. By the same token they had to agree that if sterling weot up they would cut their prices. The various formulae British market has been much

The main problem is that its were introduced in late 1977 and since then sterling has been climbing. As a result, UK newsprint buyers are getting sub-stantial discounts from listed prices which they will not give up-even if it spells the end of the British industry.

Take, for example, the stan-

dard 48.8 grammes per square metre newsprint which is nominally priced at £270 per tonne. Under the currency parity clause, some UK buyers are paying around £238 per - a 12 per cent discount Other suppliers are charging even less. Domestic producers do not bave enough muscle to dictata the market price and have to follow the imported price. This means that UK newsprint prices have remained virtually unchanged since 1977 during a period in which tha

about 50 per cent. Few observers foresaw that newsprint prices would behave in such a fashion. This is the crux of the industry's current problems. In 1977 the report of the Royal Commission on the Press maintained that newsprint prices would rise faster than prices generally until 1980 and would then follow the general rate of inflation.

general price level has riseo by

British newsprint prices today are lower than in every other major European country and the more deeply penetrated by im-ports. At first sight this seems a trifle odd since the Scandinavians and Canadians would be expected to sell into the bighestpriced market. But herein lies another twist in the decline of the UK newsprint industry. The Canadians and Finns, in particular, bave always concentrated their European exports on the

UK market. Canada supplies 500,000 tonnes a year (roughly 80 per cent of its total exports to Europe) to the UK market and Finland 340,000 tonnes (nearly half lis entire EE(exports). Sweden exported 180,000 tonnes to the UK last year and Norway 85,000 tonnes, Britain bas always been a much more open market for newsprint suppliers. (Perhaps it has something to do with the transatlantic ties of the newspaper publishers.)

Over the next five years Canada, Scandinavia and the U.S. each plan to install close to 1m tonnes of extra newsprint capacity. In North America new capacity is expected to grow by 6 per cent a year until 1983 compared with an annual growth in coosumption of 2.4 per cent. Most observers predict considerable overcapacity in the

world newspriot industry during the next few years and this will meao that Britain's beleaguered

Durhan. PARLIAMENTARY BUSINESS

House of Commons: Housing Bill, remaining stages. Dental

Qualifications (EEC recognition)

Turoover of the catering trades

import competition as the big expected to weakeo in 1981. In these circumstances

could be argued that Britain its newsprint machines to other uses (for which there is only limited scope) and buying relatively cheap newsprint on the world markets.

The disadvantage of this is that it takes no account of the cost of having to huy back into the newsprint business at some later stage if the market suddenly turns against the consumers, as has happened before.

A new 150,000 tonne per annum mill costs £100m at today's prices and they are rising.

Even in its curren state the ritish newsprint industry British newsprint industry saves £100m of imports a year, provides employment for over 2.000 people, and is a major user of wastepaper. Indeed Britain could produce newsprint entirely from waste paper if prices were right.

Prices are not right and attitudes towards the newsprint industry are far from clear. Unless there is a sharp decline in sterling or a fundamental change in the industry's cost advantages (which is unthinkable), the Government will soon have to face up to the fact that it no longer has a industry will face even tougher fall back on in times of crisis.

Letters to the Editor

BRITAIN'S EIGHT MACHINES

Albert E. Reed, founder of Reed International, was the

newsprint supplying over half the UK market. However,

are three machines with a total capacity of 180,000 tonnes

per annum at Ellesmere Port and two machines at Kemsley.

with a combined capacity of 40,000 tonnes per annum.

Bowater employa close to 2,000 people in newsprint

and Gravesend, Kent. The two machines at Aylesford can produce 100,000 tonnes and the one machine at Imperial

Mills. Gravesend, 55,000 tonnes. Bowater relies largely on

domestic timber for its newsprint production but Reed mainly

Reed employs 300 at its two newsprint mills at Aylesford

Reed built his first newsprint mill in -1894 at Maldstone

Until 1970 there were five domestic producers of

Bowater is the bigger of the two and operates two mtils

Ellesmere Port, Cheshire, and at Kemsley in Kent. There

The virtues of a spread

From Mr. R. Mitchell,

Sir, - The conclusioo of Messrs. Greenwell (Lex. May 12) that the risks attendant upon a Un gross fund investing lo foreign curreccy fixed-interest securities are simply not worth the candle appear at first sight be admirably documented. There are a few points, however, which are worth mentioning. Bretton Woods is actually

Inere is no in the corpse, which is indeed hardly surprising considering that it was laid to rest of Mr.

y In consequence we live in a world of floating currencies, a condition which was at first considered unworkable if not downhave come to stay — at least I have not heard of acyone with an idea which would lead out

Exchange control is not dead, but sleeping Long may it sleep on; and meanwhile the inmates of our former island cur-Rency prison can wender abroad if they have the imagination to do so. That, however, seems to he in doubt.

Pesponsible trustee, acting as a firudent man seet fit, might well prove unworthy of the descrip-tion if he continues to hold all his eggs in what may prove to be a somewhat fragile besket f There is something about the Inflation rate, not to say some of its more intractable components, such as the assumed right to liva in reasonable style at everyone else's expense, which is not pointing in the same direction as North Sea oil. The latter is the fashion of the moment, but it was not so quite a short while ago, when it was perfectly certain that it was coming; nor has the UK's industrial prospect improved in the meantime.

I submit, therefore, that pru-fent investment practice is no-pore a matter of mathematical formulae today than it ever was albeit mingled with some ther sweeping assumptiona and the use of convenient start dates. It remains a philosophical art, not a science, and the vir-ues of "spread" are the same ever, and fundamental where isk la concerned. Where truses, or other owners of funds, lways obtain such e service. lchard Mitchell. -Tie Old House, Aldham, Colchester, Essex.

Prestel

Konager UK and Ireland;

Sir-I refer to the business travel supplement (May 12) and in particular to the article by David Bell. He makes reference to a facility by which Prestel iscrs may effect reservations with Qantas, write their own room service at reasonable fickets and pay for them by prices while retaining the From Mr. J. Francey means of direct access to the entas computer, innkeeper and guest which The above is not the case, for marks out the best private gentas computer.

via the response frame in the booking facilities of the inter- sure from my firm I have

Prestel system. Checks are national chain. made at set intervals for any reservations that may have been system. Confirmations are then telephooed to the Prestel users and payment for tickets would be made by normal current procedures for I repeat, there is no link between Prestel and the Qantas system. Mr. J. M. Rankin.

Dantas Airways 49, Old Band Street, W1.

uses waste paper.

Shareholders' interest

From Dr. A. Beard Sir —I read with interest your article (May 10) on investment trust directors. It was my impression that the ldrectors of investment trusts were paid by shareholders to look after the best inteersts of the shareholders but it seems from your article that the main interest of investment trust directors is to hang on to their funds regardless of the financial welfare of the shareholders.

(Dr.) A. W. Beard. 15. Upper Wimpole Street, W.1.

T! Given this new freedom, the Attractive investment

'Sir,-Spokesmen for the investment trust movement constantly assure us that the fact that investment trust shares use is restricted to bousenous currently stand at a considerable discount on their asset out at one tenth of one penny per pint. Non-returnable attractive investment. Why, then, do not investment trust companies themselves invest more of their own portfolios in the shares of other investment trust companies?

(Professor) Brian Tew. Department of Economics, University of Nottingham, University Park, Nottingham.

Comforts of a good hotel

From the Chairman Park Lane Hotel

Sir, - Mr. David Bell's article "Big hotel chains geared to the From Mrs. C. Chatelfid. seasoned traveller" (May 21) is Sir.—Your article on

efficiency, modern hotels can aometimes be as police car arrived and order was frustrating as the old family owned institutions they have replaced," and again "all the ness travellers gravitate towards

the large chains." He misses the point that it is quite possible to provide the business traveller's requirements he listed—such as quick registration and check out, telephones that work, e comfortable bed, hot water and good special relationship between Firestel is not linked in the hotels Furthermore, there are linked in fact international co-operative can happen is that Prestel reservation services that enable

I take issue most strongly with Mr. Bell. Efficiencyrequested and they are actioned clinical or otherwise—is not the through the Qantas reservation prerogative of hotel chains and economic management methods lowering of standards of service to guests. Moreover, there is a definite trend for "seasoned" busines travellers to return to the old family owned hotels for the friendly style and warmth of welcome which is offered

C. E. B. L. Carr,

Milk retailing inquiry

Creamline Dairies Sir,-The report (May 6) by

David Churchill, your consumer affairs correspondent, gave some of the reasons for the comparative costs of selling milk on the doorstep as opposed to selling it through supermarkets. As he says, the costings system is complicated, bnt it is in no way responsible for the fact that supermarket milk is often daarer; this is because it has to be packed in bottles would be returned if

they were used.
Glass bottles cost approximately 5p each, hut can be used about fifty times before being lost or broken if their use is restricted to bousehold cartons however, cost nearlyfill so the unit cost is nearly

11 pence more per pint.

If space were available it would be possible to demon-strate that in fact, it is the doorstep trade which is subsidising shop prices, and not the reverse as is claimed by the supermarket chains. W. S. Roe, Creamline Dairies,

Weymouth Road, Eccles, Lancs Cricket in

Corfu

Bo not find it economical to seasoned traveller (may 21) is some find it economical to full of interesting facts but his inCorfu (May 10) reminded me increased knowledge, they can conclusions hardly stand up to that last sumer while watching a game in that town one of the close examination.

For instance, he writes "any experienced traveller knows of the window of a small shop course, that for all their.

The owner, justifiably annoyed, wouldn't return the ball until a

> restored, and the game con-Almost the next ball was also research shows that most busi- hit for six-straight through the ness travellers gravitate towards police car's windscreen! (Mrs.) Vivienne Chatfield. South Corner, Glen Road End, Wallington, Surrey.

Flying from

Sir.—I travey by British Air from Glasgow to Loudon every two months to do a week's business, and nver the past six years Can happen is that Prestel reservation services that enable from something in the area of 28A, Cheshire Street Users may request Qentas flights individual units to offer all the £40 to £94. Without any pressent Bethnul Green, £2.

recently done the journey in my owo week-end time to take advantage of a price concession. On going for my ticket receotly I was advised that this too had been altered, patently to "plug" the outlet for people like myself who worry about increased costs

and try to get round them.

The fact that nothing has changed apart from a contraction in services given, namely the closure of west London air terminal and the withdrawal of breakfast on hoard, a wonderful time-saver to people like myself. indicates to me that these soarcharges are only a cynical additional levy on businesses. Is It the intention of the CBI and other hodies to accept this situa-tion without protest? John B. Francey.

59, Aytoun Drive Erskine, Renfreushire.

A few dollars

more

From Mr. W. Hulton

Sir,-Only a fraction of the programme Anthony Harris referred to so scathingly in his Lombard Column (May 9) was devoted to the idea that the Hunt brothers might have engineered the fall of the silver a non-returnable container as price so they might subse very few of the expensive glass quently buy it more cheaply. Had Anthony Harris listened to the programme he would have discovered that that

reference laregly consisted of a pithy rehuttal of the idea and that the author of those remarks was none other than Mr. Harris. Pillory us, if you must, for wht we actually broadcast not fro what you think we have Will Hutton

(Producer, "For a few dollars Broadcasting House, W1.

Unbanked

From Mr. P. Blackman

Britons

Sir,-Michael Lafferty, your Banking Correspondent, writes (May 3) a very lucid and detailed article, with statistics stating that only 29 per cent of

manual workers have cheque accounts. He states that banks are considering how they may best encourage this and other groups to get the banking

A very large proportion of our customers come from these groups and although we have seen a tenfold increase in payments hy cheque in the last three or four years (especially since the advent of cheque guarantee cards) most customers still pay with cash (which we Until the banks realise, how-

ever, that being open from 9.30 to 3.30, Monday to Friday virtually debars the average working man from attending their premises, they will cer-tainly not capture his custom. In the rare situation where bank is almost next door to his or her place of employment, the long queues which form during the lunch period, when some of the bank staff are also at lunch, still put the potential customer

. Today's Events

UK: Dr. Francisco sa Carneiro, Prime Minisetr, and Prof. Diego Freitas do Amaral, Foreign pool (to May 23).

Board of Investigation Inquiry opens in London into grounding Minister of Portugal, meet Mrs. Margaret Thatcher and Lord Carringtoo in London to discuss

of tanker Amoco Cadiz.
Dr. Edward de Booo, Cognitive
Research Trust director, lectures Mr. R. Leigh Pemberton, National Westminster Bank on "Commonication and Change," Institution of Mechani-cal Engineers, London chairman, speaks at Sand and Gravel Association conference, Geoeral and Municipal Workers Union annual congress, Municipal

The Queen visits the Chelsea Flower Show.
Overseas: European Parliament session opens, Strasbonrg

Bournemouth (to May 22). Union of Post Office Workers annual conference opens, Black-Mint Directors Conference and

Order.

House of Lords: Transport Bill, committee. Dental Qualifications (EEC recognition) Order. OFFICIAL STATISTICS

May 21). International

Exhibition opens, Utrecht (to COMPANY MEETINGS See Financial Diary on Page International Advertising Association 27th World Congress, COMPANY RESULTS Final dividends: Bisliopsgate

(first quarter). Index of lodustrial production (March—provi-

Trust, Cakebread, Robey: Evered Holdings, Hawker Marris, The Land Securities Investment Trust. Outwich lovestment Trust. Readlcut Intrenational.

Interim dividends: Camhrian and General Securities, Manage-ment Agency and Music. The Reo Stakis Organisation.

How to improve the banking service you get, when you're perfectly happy with the service youve got.



OFFICES IN: ARGENTINA; AUSTRALIA; BAHAMAS; BOLIVIA; BRAZIL; CHANNEL EL ANDS; DOMINICAN REPUBLIC; FRANCE; GERMANY; GUATEMALA; HAITL; HONGKONG; JAPAN; KOREA; LLIXEMBOURG; MEXICO; NIGERIA; PANAMA; SINGAPORE; SPAIN; UK; USA; URUGUAY; VENEZUELA.

Having the Bank of Boston as your second bank will improve the relationship with your

first bank. It will remove the niggling problems that cost you money and can harm the relationship.

It can get international payments credited to you in one day instead of six, keep your financial officer in direct touch with an experienced foreign exchange dealing department instead of a local branch and give you personal contact with an experienced interna-

Bank of Boston is one of the top ten US international banks. It has branches and affiliates in 43 countries. It's one of the oldest continuously chartered banks in America, older even than Bardays, Midland, NatWest and Lloyds. And it's been going strong for 58 years in the United Kingdom.

What's more, our Corporate Banking Group is sparing no effort or expense (including this

advertisement) to put our sophisticated personal service to work for medium-sized UK companies.

Take this opportunity to contact us and pur one of the most potent forces of capitalism to work on your banking: competition. Contact: Chris Howe at The First National Bank of

Boston, Bank of Boston House, 5 Cheapside, London



Competition makes better banking.

Oakwood comes to market

The following companies have notified dates of Board meetings to the Stack Exchange. Such meeting are useally held for the purpose of considering dividends. Efficial indications are not evailable as to whether dividende are interims or finals and the aubdivisions above helms are based geally on last

shown below are basse mainly on last year's timetable.

TODAY
Interims: Austrolis and New Zealand
Banking, Cambrion and General Securities, J. H. Fennsr, Managoment Agency
and Music, Reo Stakls Organisation.
Finals: Biahopsgate Trust, Cakobreed
Robey, El Oro Mining and Exploration,
Evered, Exploration Company, Hawker
Marcia, Land Securities Investment

was no reason I could not go for a full quote."

purchased a bome for the

Chambers family. Mr. Chambers

is now buying the house from the company with part of the cash be will be raising from

Apart from the obvious rea-

sons of raising cash for the directors and their families Oak-

wood is after a full quote because the directors believe it

reputation in the contracting

field, especially when tendering

making acquisitions. This will probably take the form of a

enhance the company's

selling bis sbares.

for work overseas.

Of the £415,000 being raised

Land Securities Investment

BOARD MEETINGS

Myers are bringing another company to the market. Today the prospectus is published for the placing of a quarter of the equity in Oakwood Group. The placing is of 500,000 sbares at 83p each raising £415,000 and valuing the whole company at £1.66m.

Oakwood is a holding company with two operating subsidiaries, both with their roots established at the beginning of

Clough Smith provides a service covering a wide variety of electrical and associated civil engineering work. The three main activities are overhead transmission lines; cabling and electrical distribution systems

and railway cabling.
Contracts at Clough are running roughly 50:50 between the UK and overseas at present. though the split varies. Overall the company has an order book of £6.7m, including £2.3m with the Electricity Board and other public undertakings. Projects on hand include two contracts in Kenya worth £4.8m.

All contracts longer than a year include inflation clauses. The other operating arm, Frank Love, is the country's largest stockist and distributor of water fittings and sanitaryware to builders' merchants and other

retail outlets. Frank Love is currently oego-tiating for the lease on a new 5,000 sq ft warehouse at Camber-well which will be used as a distribution point for London purchased a bome for the and the Home Counties. The companies came together

when they were bought by Lombard North Central. When National, Westminster Bank took over Lombard, the industrial trading arm was sold off for around £550,000 to Edward Chambers who had run the division for Lombard.

Mr. Chambers financed the purchase with the banking of a merchant bank. Several of the companies acquired from Lombard were sold fairly quickly, ralsing around £500,000, which enabled Chambers to repay the merchant bank and operate Clough and Frank Love under the Oakwood holding company. The Clough company has a lion it has at present.

The balance sheet, dated small minority holding—Oak. The company's record shows September 1979, shows nel

las! year and I was aiming for a 163 listing. But by the time I got to the 11th hour I realised that the amount of undertaking and exposure was just about as stringent as for the primary

sleady growth for Frank Love. There was a profit of £94,000 on sales of £1.46m in the year to which is held by 15 shareholders who are members of the original family and ex-employees. Seplember 30 1975 and by 1978-1979 profits had expanded to Originally Mr. Chambers had £229,000 on sales of £3.75m. laken the view that his company was 100 small 10 bring to the market with a fully fledged list-ing. "The dialogue with Capel-

Gates (Frank G.)

Horgroaves Hield Bros.

Clough Smith's record is far more erratic. In 1974-75 it recorded a £32,000 loss on sales of conded a £32,000 loss on sales of £3.8m. There was an improvement in the following two years but in 1977-78 profits collapsed from £180,000 to £24,000. Last year it made a profit of £275,000 on turnover of £4.97m.

Director Geoffrey Coleshill explains that the 1975 loss was caused by "a couple of duff contracts in Jordan resulting Cure started around the end of market and I was advised there

FUTURE DATES

Allied London Properties...... May

contracts in Jordan resulting from bad tendering by a director who has since left." The downturn in 1977-78 happened becasue of its attempt to expand in Scotland. "We went as far North as we could," says Mr. Colesbill, "up as far as Shetland and the Orkneys. It was like running an overseas job. We diversified outside nor usual activities and tendered in ignorance." It was also a year of extreme weather caused problems and Clough withdrew completely and closed the Scottish office.

The directors are forecasting profits of £700,000 for the current year, of which 65 per cent will be provided by Clough On this basis they Smith. Also Oakwood is interested in intend to pay a full dividend of 4.5p per share. Had the company nrohahly take the form of a been quoted for a full year they "Ihird leg" to the business but would have paid 6.5p per share. will he in a sector related to the which would be covered 2.4 construction" type of opera- times by fully taxed earnings.

shareholders' funds of £2.14m.

comment

Truot, Gutwich Investment Tiust, Readicul International, H. Ssmusl. At 83p Oakwood is coming to the market on a prospective fully taxed p/e of 5.3 and yield of 11.2 per cent while the asset backing is 107p a share. It is an undernanding rating and, bear-ing in mind that very little stock will be available to the market, dealings should open up with a reasonable preminm. Yet the market should not let the rating get too euphoric. The Clough record is patchy and while the company says it has learnt its lessons from the events of 1975 and 1978 the experiences are too recent to be complaceot that setbacks will not be repeated. 11 operates in sectors tied to nationalised industries and Government spending. Defence contracts for example may be encouraging at present but street lighting work is reducing. Also some of the jamp in Clough's profits this year reflects the company making nn lost ground after the Scottish set-back Frank Love, meantime, is sluggish with the forecast taking in only a very modest advance.

Prince of Wales at £0.47m

WITH INTEREST charges sub-stantially higher at £216.023 against £96.155, pre-tax profits of Prince of Wales Hotels dropped from £504,391 to £470.701. There was a tax credit of £24,986 against a charge of £97,102 last time, resulting in profits of £495,687 compared with £407,289. Stated earnings per 25p share of this north of England botelier are 12.24p against 10.06p, and the final dividend is raised from 0.64Sp to 0.9675p, making the total 1.7175p (1.145p).

Revaluation of fixed assets has produced a surplus of £1.172,179. Repairs, replacements and refurbishments have increased by

start for Gerrard & National

THE CURRENT year has started on an encouraging note for Gerrard and National Discount Company, with its book being considerably lengthened in recent weeks, says Mr. R. G. Gibbs, chairman, in his annual

The range and spread of the company's customers in stelling markets has continued to expand, especially in the commercial sector. The directors look on the Euro-sterling market as one of increasing importance for the development of new outlets and

The chairman says the company will be opening a repre-sentative office on Wall Street, New York, in June, with the aim of acquiring and developing new business in Euro-dollar certificates of deposit and in sterbing money market instruments.

The notes to the accounts show that four writs claiming DM 20.94m (£5.12m) bave been issued against a wholly-owned subsidiary, Gerrard Inter-national in connection with nine bills of exchange purchased by the company and resold in the normal course of its business. The purchasers have also issued writs against the bank which guaranteed the bills.

Gerrard International started proceedings against the vendors of the bills and the guaranteeing hank. The directors believe no loss should arise.

The group incurred a loss after tax of £1.12m in the year to April 5, 1980, against a profit of £5.01m last time, as reported on May 1. The net total dividend is being stepped up to 11.5p (9.124p).

Current assets totalled £1.2m (£1.21m) at the year-end, including cash at bankers and in hand of £1.88m (£3.35m). Current liabilities amounted to £1.17m

Meeting, 32 Lombard Street, on June 12 at noon.

Encouraging Hammerson pays £1½m for Woolgate House freehold

Investment Trust has paid the Merchant Taylors' Company over fin for the freehold of Woolgaet House in the City.

The deal is likely to add around £10m to the value of the property, included in Hammer-son's 1979 accounts at a figure of

The purchase of the freehold comes six months after Hammerson gained 100 per cent ownership of the long leasehold on the 27,000 sq ft office building through Its purchase of Reunion Properties.

Reunion held the 25 per cent stake in Woolgale House nni already in Hammerson's hands and at the time of the takeover the Hammerson directors estimated that 100 per cent ownership of th eproperty would result in a valuation of around £75m. The £75m has duly been included in the 1979 accounts, published today, but Hammerson says that, following the purchsae of the freehold, another valuation will be made at the end of 1980. Mr. Sydney Mason, chairman, says the marriage value of the deal is around £10m.

Until the end of last year, the 1969 valuation figure o f£25m on Woolgate House bad remained unchanged with Hammerson's 75 per cent interest held in the ccounts at £18.75m, Woolgale accounts at 118.75m, woolgale
House is now entirely occupied
by Chase Manbattan Bank, which
is carrying out extensive alterations to the building. Rental

income from the property, developed by Hammerson and Reunion and completed in 1968 at a cost of less than £7m, is now

over £34m a year. Mr. Mason also tells share-bolders that Hammerson has lel to the National Freight Corpora-tion the remaining 45,000 sq ft in the Merton Centre, Bedford. which was acquired as part of the Reunion package. It had could take up to two years On prospects for, the UK

FT Share

Service

The following securities have been added to the Share Information Service appearing in the Financial Times:-

BASF AC (Section: Chemicals) Westpool Investment Trust
(Investment Trusts)



the chairman once again believes opportunities in the UK are extremely limited. The 1979 accounts put UK capital commitments at only £850,900 against £20.5m in Canada, the cost of the fourth phase of the company's Bow Valley Square scheme in Calgary, where a "significant" amount of pre-letting has already been achieved despite the late 1982 completion

Mr. Mason says that development activity taking place in the UK usually involves companies which have owned sites for some time or institutions which are tempted into direct development. In many cases, the schemes now under way are of a size and time scale which would normally be undertaken by an experienced and wellestablished property company.

As reported on April 26, Hommerson's pre-tax profits for 1979 rose from £8,16m to £7,83m with earnings per share up from 11.56p to 16.75p. The directors proposed 1980 dividends totalling 18p (12p) but as a result of the proposed one-for-one scrip issue the Intention is to recommend an interim of 21p and a 81p final on the doubled capital. Rental income rose from £25.94m to £27.29m while short-

term borrowings increased-

purchase — from £45.54m to £54.37m. Meeting: 106, Park Lane. June 16, noon,

J. Billam earns and pays more

Continued expansion of the engineering interests pushed pre-tax profits of J. Biliam, cutier and sheet metal engineer, to a record £375,124 in 1979, com pared with £288,574. But the year was extremely difficult, say the directors. They intend to continue rationalisation of the cutlery division in an effort to improve profitability in section.

Earnings per share after tax of £84,385 (£155,050) are shown up from 8.9p to 19,38p, and the dividend is raised to 4.8p net (3,4703p) with a final of 8.6p

UNITECH 97.5%

The recent one-for-10 rights issue of Unitech, which was to-raise approximately 53m for the

M. J. H. Nightingale & Co. Limited 27/28 Lovar Lane London EC3R SEB

FINANCE FOR INDUSTRY TERM DEPOSITS Deposits of £1,000-£50,000 accepted for fixed terms of 3-10 years. Interest paid gross, balf-yearly. Rale for deposits received not later than 6.6.80.

Terms (years) 3 4 5 6 7 8 9 10

Public Works Loan Board rates Effective from May 17

by EIPt At maturity5 by EIPt At w 141 141 141 151 151 141 141 141 141 141 141 141 141 141 Non-quota loans B are 1 per cent higher in each. 107 quota ioans A. † Equal instalments of principal. ‡ Repayment by, 127 baif-yearly annuity (fixed equal half-yearly payments to include 66 principal and interest). § With half-yearly payment of interest only.

IYCRX

The Group made a good start in the current year . . . and faces the future with confidence.'

Annual Results - 1979

The Chairman, Mr. Duncan McDonald, CBE, states: 1979 was a difficult year. However we have maintained satisfactory liquidity without curtailing capital investment and have a strong balance sheet. The resilience shown by many of our trading units in adapting to changing markets is encouraging.

We made a good start in the current year and substantial orders are expected from the nuclear power station programme which has been recently confirmed by the Government.

The Group remains soundly based and faces the future withconfidence.

	·	1979	1978
Turnover		£453m	£451m
Profit before taxation	1	£18·130m	£30-464m
Profit attributable to NEI Shareholders (after taxation & extraordinary items)		s £7·927m	£22-740m
Earnings per ordinary share (excluding extraordinary items) Dividend per ordinary share		5-85p	14-82p
		3-75p	3·75p

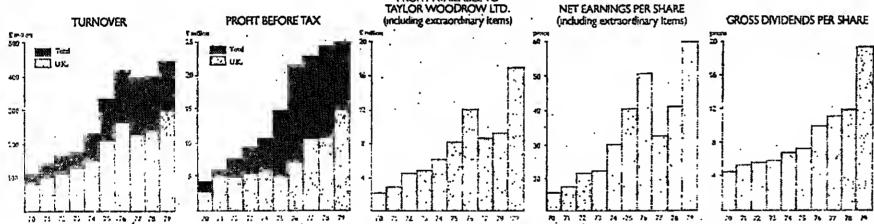
The dividends and earnings per share have been adjusted to reflect the capitalization issue

The Annual General Meeting will be held on Wednesday 11th June at 12 noon at the Royal Station Hotel, Newcastle upon Tyne. Copies of the Report are available from the Company Secretary, Northern Engineering Industries Ltd., NEI House, Regent Centre. Newcastle upon Tyne, NE3 3SB.

Northern Engineering Industries Ltd

"Improved results for the nineteenth consecutive year."

Mr Dick Puttick, Chairman.



In 1979, despite widespread strikes and industrial unrest in the UK, and the worst winter for 30 years, our results are not unsatisfactory. and show improvement for the nineteenth consecutive year.

During the year the limitation on capital expenditure in the public and private sectors continued and thus restricted the volume of new construction work available in this country. Nevertheless we. secured a substantial amount of building work here.

We increased our investment and participation in the production and marketing of opencast coal in the United States and widened our operations for the provision of on-shore and off-shore support facilities to the North Sea oil industry.

Overseas generally we have had quite a good year, despite a reduction in earnings from the Middle East. The returns we received from overseas when added to those from our U.K. operations yielded group profits a little up on those of the previous year, with a greater emphasis towards the U.K.

Accounts and Dividends

The turnover for 1979, including our share of associated companies, at £438 million compares with £393 million as stated in the 1978 accounts.

The treatment of Taylor Woodrow of Nigeria Limited and Taymech Nigeria Limited as associated companies in 1979 has a material effect on this comparison.

Had these companies been included as associated companies in 1978 the turnover would have been £373 million and the real increase in 1979 £65 million or 17%.

Profit before taxation at £24.6 million compares with £24.0 million in the 1978 accounts. Had the Nigerian companies been treated as associated in 1978 the increase would have been £1.8. million or 8% of profits before tax.

Overseas earnings were adversely affected by nearly £600,000 because of movements of exchange rates in favour of sterling during the year.

After deduction of taxation and minority interests and addition of extraordinary items the profit available to Taylor Woodrow Limited was £16.9 million.

This represented an increase of £7 million over 1978, of

which a large part is accounted for by the reduced tax charge in 1979 which includes a release of £4 million deferred tax in respect of stock relief for 1973 and 1974.

Earnings have accordingly increased substantially to 56.9p per share, of which 14.3p is accounted for by this deferred tax release. The board has recommended a final dividend of 10.1570p per.

share which, together with the interim dividend of 3.1500p and the supplementary dividend of 0.2904p for 1978 already paid, makes a total of 13.5974p per share for the year. With the addition of imputed tax credit at 30% this makes 19.4249p compared with 12.2647p per share in respect of 1978.

I would emphasise that in a group such as ours, engaged in activities which sometimes extend over long periods of time, the results should be judged over a number of years rather than over a single year in isolation.

Generally

On 30th June, Sir Frank Taylor, who founded the business 59 years ago relinquished his office of Group Managing Director and was appointed the company's first Life President. He continues to serve as an executive director.

On 2nd July Messrs. R. E. Aldred, N. C. Baker, F. R. Gibb and B. S. L. Trafford were appointed joint managing directors, with myself continuing as Chairman and Chief Executive Messrs. P. R. L. Drew, J. Millar and R. P. Whitehouse were appointed to membership of the board on the same day.

Our thanks and appreciation go to our many clients for having entrusted us with their work and to the professional people, together with subcontractors and suppliers, all of whom provide us with the co-operation and service which is so essential in carrying out our contracts. Thanks also to all our team members, many of whom are working in remote areas and often in unsocial conditions.

I had the pleasure of meeting some of them during a recent visit to our construction sites in the Far East. We are indeed privileged to have such people.

Finally I would like to record my thanks to my colleagues on the board for their help and guidance so freely given.

EXPERIENCE, EXPERTISE AND TEAMWORK, WORLDWIDE TAYLOR WOODDROW

rammine ribite morning may as and 11 WORLD STOCK MARKETS HONG KONG 1980 High | Low 1980 High Low 1980 High | Low HOLLAND May 16 May 15 May 15 May 13 CANADA Stock Stock Stock Low Stock

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71s Modern Kerchg
71s Metasoo
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Morgan (JP)
401s Morgan (JP)
411s Metasoo
1214 Murphy Gil
129 Nabisco
131 Nappo Industries

111 Nappo Industries May 10 Columbia das Coulmbia Pict.... Com, ins. Am..... Combustn. Equip Combustn. Equip Omwith Edison... Comm. Satelle... Commungreohic 1980 858 444 24 12 5779 2778 22 1412 1618 14 5118 18 1578 1938 1980 681s 911g 68 May 16 6845 2854 744 41 6445 6112 8948 1642 3244 6154 50 6178 153 15 113 95 854 91₉ 120 255₅ 211₂ 191₉ 571₆ 5521₈ 955₄ 18 978 755₆ 6079 755₆ 461₂ 585₆ High | Low 80 82.1.4CF Holding 7.1
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72.8 110 Ennis 122.05
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125.6 Rodomod 109.8
157.1 125.5 Unilsver 108
157.1 122 Tokyo Pac-He 157.7
179.5 102.5 Unilsver 108
157.7 13.8 Royol Duteh 158.60
157.7 13.8 Royol Duteh 158.60
157.7 122 Tokyo Pac-He 157.7
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36.6 28 Viking Res 33.50 71 | Abhibl | 1814 | Aprilo Eagle | 1112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 11 1936 Guif & Western

5216 Guif Oil
2034 Hall IFB.
3214 Helliburton
2018 Hammermill Ppr.
Handleman
2854 Hanna Mining
25 Harcourt Brace
1112 Hamschfeger
2216 Herris Banop
231 Herris Banop
231 Herris Corp
31 Hecta Mining
3586 Harsc
1478 Heller Inti
1516 Heroules
2014 Hershey
2418 Houbert Pkd
26 Hilton Hotals
3059 Hitschi
3059 Hitsc | 105c | 75c | Simplicity Patt | 85c | 14 | 29 | Nalgo Chem | 30% | 30% | 32% | Nat. Can | 12% | 30% | 32% | Nat. Can | 12% | 30% | 32% | Nat. Detroit | 25% | 32% | Nat. Dist. Chem | 25% | 32% | 17% | Nat. Cryssum | 20% | 32% | 12% | Nat. Cryssum | 20% | 32% | 12% | Nat. Semiceductr | 18% | 32% | Nat. Standard | 18% | 13% | Nat. Standard | 12% | 12% | 13% | Nat. Standard | 12% | 12% | 10% | Nat. Steel | 20% | 34% | 16% | 10% | Nat. Steel | 20% | 34% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 36% | 3 Consumer Power
Conti Air Lines
Conti Corp
Conti Group
Conti Illinois
Conti Telep
Conti Telep
Conti Telep JAPAN 1980 May 18 051₂ 197₈ 251₂ 977₈ 893₄ 487₈ 491₂ 28 High | Low 55 | Aicos | 551g | 356 | 401g | Amai. Sugar | 356 | 415g 614 Alinemoto
455 Armada
450 Armada
450 Armada
450 Armada
450 Aridgestone
510 Citizen
5510 Citizen
5570 KBO
460 Cal Nippon Ptg
270 Daiwe House
271 Daiwe Seiko
552 Ebara
834 Eleal
870 Fuji Bank
457 Fuji Film
749 Fujisawa
9,550 Fujisawa
500 Hasegawa
550 Hasegawa
553 Helwa Ri East
553 Helwa Ri East 36H 995e 914 1214 455e 9914 1614 566 67 67 421e 245e 421e 67 4814 379 285e 401174 117e 525 546 695 665 094 1,000 405 556 362 312 459 1,025 420 583 920 1,870 567 36H 10 954 9054 56 9914 75 44 301₂ 291₈ 555 36 1678 1954 6578 2819 1638 1638 4919 1838 2114 4914 3119 2618 5619 44 2512 1838 50 912 712 62 8614 82 9414 8114 11814 10934 4136 2638 2634 1578 88 2914 88 2914 88 243 16934 9336 44734 6114 19 5354 7654 82 9712 16 1634 1214 35 1274 35 1274 2618 8418 341a 911a Norfelk & Westof
4614 3614 Norfelk & Westof
3614 Norfelk & Westof
3614 Str. Am. Coal...
3614 Str. Am. Coal...
3614 Str. Am. Philips.
2514 Northop...
3614 Str. Am. Philips.
2614 Str. Am. Philips.
2614 Str. Am. Philips.
2614 Str. American Str. Am. Philips.
2614 Str. American Str. America 4878 1378 8778 9934 3534 5534 8516 8516 614 7434 8314 8314 7734 7714 183₆ 401₂ 201₂ 303₆ 156 341₂ 180 161₄ 181₄ 50 ITALY 951 Hitachi 492 Hitachi Keki... 534 Henda 700 Nouse Food... 760 Hoya 400, itoh (C)... 516 Ito-Ham... 1,000 Ito-Yekado... 536 JACCS 2,316 JAL... 550 Juseo 1950 High | Low Dentsply IntiDetroft EdisonDiamond IntiDiamond Shamk
Dictorgie
Digital Equip
Dillingham
Oillon
Disney(Welt)
Dome Mines
Domelley (RR)
Dower Corp
Dow Jones
Drave 361₂ 1811₈ 431₈ 35 201₂ 335₈ 497₈ 1654 2771 6772 4114 4114 104 90 297₂ 878 Outboard Marine
18 Oversaas Ship...
2828 Owens-Corning...
201s Owens Illineie...
1914 PHH Group......
1634 Pabst Brewing...
1634 Pac. Gas & Elect
1714 Pac. Lighting...
41 Pac. Lumber..... 81 78 59 16 12 20 4854 3014 3014 3118 3034 30 NORWAY Eastern Airlines. Eastern Gas & F. Eastern Kodak. 181e 91s 257s 6314 265s 188s 975s 2614 5014 128e 3114 881e 973 Mekita. 365 Marubeni 496 Marudai May 16 1,190; 399; 786; 736; 736; 736; 420; 409; 409; 465; 465; 492; 1,290; 470; 876; 231; 8,350; 734; High | Low 112 131.5 Bergens Bank ... 92.6 75 Borregand 128 112 Creditbank 108 81 Elkem 450 Koames ... 766 440 Norsk Hydro 147.5 113 Storebrand 496 Marudai 598 Marudai 598 Marudai 505 M Ta Elec Werks. 506 M Dishi Bank. 506 M Dishi Corp. 185 M Dishi Ri Est. 168 MHI 303 Mitsui Co. 440 Mitsui Ri Est. 390 Mitsukoshi. 436 HGK Insulators. | 1336 | Tipperary | 1714 |
814	Tonka	1678
194	Total Pet	2134
18	Trane	2012
1469	Tranesmerics	174
2912	Trane Union	3254
2614	Transway	24
15	Trans Werld	1234
36	Travelers	3959
1612	Tri Continental	1812
55 3714 Nthn. Telecom... 59
2512 132 Ozkwood Pet... 1718
3.00 1.95 Omni... 1.25
4.70 2.56 Paolife Cooper... 3.50
80 6014 Pan can Petrol.. 6912
55 24 Patino... 51
81 4512 Piener Dev.... 4534
1814 1314 Power Corp.... 1512
658 5.55 Quebec Stryn... 4.45 SWEDEN May 18 1980 Price High | Low 3754 1450 2512 2512 4878 8078 3078 31514 3456 3756 2312 3778 181 136 86,5 80 173 139 113 951₂ 19 473₄ 40 293₄ 177₈ 281₂ 28 571₂ 29 -393₄ 52 -411₈ 271₂ 244₆ 35 24 6114 17 2414 1434 2736 9214 4812 4714 1059 5434 1512 9 5758 46 13 1534 66 4036 5034 97.5 142 29 86 126 29 1856 | Lear Slegter | 1934 | 2414 | 1536 | Leasoway Trans | 9514 | 2818 | 2614 | Leasoway Trans | 3934 | Leasoway Trans | 3 60 lg 40 lg 458 14 54 56 40 lg 164 17 90 lg 154 22 lg 154 25 19 ls 81 56 55 11 lg 1559 43 44 3719 8559 84 919 1859 2754 30 4219 SWITZERLAND 472:TBS..... 537 Tokio Marine..... 725 Tokyo Elect.Pwr. | 545g | Reliance Croup. | 374 | 2214 | Republic Steel. | 28 | 265g | 1214 | Respect Cottrell. | 15 | 2356 | Respect Cottrell. | 15 | 2356 | Respect Cottrell. | 15 | 2356 | Respect Copper | 125g | 11 | Revere Copper | 125g | 151g | Revinerd | 135g | 25g | 151g | Revinerd | 135g | 275g | 151g | Republic Mits. | 351g | 275g | Republic Mits. | 251g | 271g | Rochester Gas. | 131g | 271g | Rochester Gas. | 131g | 1 785 Tokyo Elect.P.
711 Tekyo Gas....
541 Tekyo Sanyo...
178 Teshiba
205 Tokyu Corp...
395 TOTO ...
374 Troyo Selkan...
771 Toyota Motor...
990 Victor...
655 Wacoal
826 Yamaha Moto ...
461 Yamaha Moto ...
927 Yasuda Fira...
927 Yasuda Fira... 5,550 6,100 1,570 1,000 4,563 | 91e | Vu ginizi EP | 117g | 301g | Vulcan Matria | 3214 | 2824 | Walker (Hm)C, H | 2814 | 191g | Weilane Murray | 817g 25 14 26 14 55 12 1878 1878 1878 2554 2714 2884 1514 1524 123 639 242 242 451 464 838 1,560 1,060 570 513 785 1878 17 8778 2034 4788 72114 2518 2518 2618 3642 2834 211 1356 9418 2418 2258 57 44 425 2514 425 2654 2654 481 485 2654 2654 2574 a,553 2,375 274 3,600 460 242 737 532 6,953 1,760 3,300 201s GK Technologies 294s Gambie Skogmo 39 Gannett 2,694 1,780 Emprunt 4% 1875 1975 7,515 3,680 Emprunt 7½ 1875 6499 4,321 3,505 CNE 32 4108 322 Afrique Occid 544 1,540 1,181 Agultaine 1208 57,5 Au Printemps. 120,5 | Samett | S 461 BiC 316
147 Bang Rothschild 254,2
223 Bouygues 631
850 ESH Gervais 961
1,583 Carrefeur 1793
325 Club Mediter 567,5
628 CGE 373
427 CSF (Themson) 480 SOUTH AFRICA 1980 May 18 High Low AUSTRALIA High Low Rand

3.30 2,25 Abercom 2,80
7.15 6.46 AE & G. 7.00
17.00 18.25 Anglo Am. Gp. 13.35
167 80 Angle Am. Gold 85.00
8.05 Barlow Rand 12,25
39.25 50.25 Lifels 39,25
4.66 3.43 CNA Invests 4,60
1.60 1.30 Currie Finance 1.75
11.75 8.86 De Beers 9.62
97.50 21.50 East Drie 25.5
32.00 48.00 FS Ceduid 51.3
95.00 8.00 Cpid Fields 2A. 76
4.42 3.35 Highreid Steel 4,60
9.00 5.36 Huletts 5,80
25.50 25.6 Protes Hidgs 2,95
6.90 5.90 Rembrandt 6,95
2.20 2.65 Rennies 5,06
6.90 5.90 Rembrandt 6,95
2.20 2.65 Rennies 5,06
8.86 2.35 Sage Hidgs 2,37
8.23 2.68 2A Brews 3,25
1.90 1.40 Sorce 1.79
1.90 1.40 Sorce 1.79
1.90 1.40 Sorce 1.79
1.90 1.40 Sorce 1.192 11 505₄ 143₄ 90 297₆ 1858 Price Aust. 8 May 16 High | Low 29% Wheelabratr F...
15½ Wheeling Pitts...
14¾ Whitipool.......
16½ White Consoltd...
4 White Motor....
13 Wickes
20¾ Williams Co....
24 Winn-Dixle Str...
178 Winnebago...
19½ Wisc Elec Power
21¼ Woolworth...
51½ Wyly....
5½ Wyly...
49¼ Xerox...
12 Yellew Frt Sys...
24½ Zapata...
5¼ Zenith Radie... 5256 8376 1958 2614 91624 4018 2814 2454 2656 3988 178 4.10 ANZ Group...... 5.80 Acrow Aust...... 0.95 Alistate Expl 280 Cle Bancaire... 385 Cle Gen Eaux... 144 Cofimeg... 157 CCF... 66 Creusot-Loire... 229 GFP... 01.7 DHEL... 602 Oumez... 316 Ferode... 4.050440 4.0 4.40 0.80 1.15 1.24 310.9 366 455 169.8 165 73.5 289 42.8 782 379 2434 3512 55 2512 9634 2238 5434 2138 1468 2314 4514 7154 42 3634 7114 4514 858 818 321 131.9 860 729 1,639 72.9 9,580 899 656 267 Gen Occidental... 52.5 Imetal.... 284 Lafarge..... 600 L'Oreal 0.15 Bamboo Greek... 2.79 Bank NSW 1.26 Blue Metal 0.98 Bond Hidge 9.14 Boral 1.808 ville Coppor 694 1639 60 9,240 699 541 1.808' ville Coppor...
1.856' rambles inde ...
2.67' Bridge Oil
11.45' 2HP
4.52' CSR
1.80' Carlton & Utd....
285' Castlemeine Tys...
0.25' Cluff Oil (Aust.)..
0.13' Do. Opts...
1.35' Cookburn Comt.
1.80' Coles (G.J.)...
3.85' Comakoo...
5.80' Comakoo... List in the 73.3 Moulinax 215 Paribas 88.3 Pechiney 246 Permod Ricard 223 Perrier 9 12 Peugeot-Cit. 302 Poctain 256 Radiotech 80 834 111,7 304 240 212 243 276 12.5 **AUSTRIA** Indices May May May 13 Price May May Financial Rand USS0.931 **NEW YORK** -DOW JOHES. 1.80 Coles (G.J.) 1.86
5.85 Comaloo. 3.54
5.20 Cons Gold 2.20
2.50 Containers 2.20
2.50 Containers 2.20
2.50 Containers 3.22
2.50 Containers 3.22
2.50 Containers 3.22
2.70 Unlop 2.50
2.20 Elder Smith GM 2.80
2.29 Endeavour Res. 0.39
6.32 Escor. 0.39
6.32 Escor. 1.45
3.20 Hamarsley. 4.00
2.50 Hamarsley. 4.15
3.20 Hamarsley. 4.15
3.20 Hamarsley. 4.15
3.20 Hamarsley. 4.15
3.20 Hamarsley. 1.90
2.50 Hamarsley. 1.90
2.75 Kis Ora Gold 2.15
2.76 Mis Ora Gold 2.50
2.76 Mis Ora Gold 2.50
2.76 Mis Ora Gold 3.50
2.76 Mis 0.30
2.76 Mis 0.30 1960 Since Copilt"n 336 336 278 114 257 389 336 336 266 131 966 336 May May May May May May 1280 18 15 14 13 18 9 High Low 474 141.5 273.5 137 1,040 290 850 236.5 449 199,8 242 136,3 633 283.3 850 208 820,08 816,75 866,00 788,49 847,47 (74/2) 4986,96 4920,29 4812,96,4757,30 6880,95 (14/2) 418 Redoute .. BRAZIL 416.Redoute 116.5Rhene Poulenc... 220 Roussel-Uciaf.... 119:St. Gobeln.... 650;Skis Rossignol... 260;Suez. 658Telemach Elect... 185 Themson-Brandt - moustr'is 825.88 822.55 8 78.82 816.83 885.29 885.88 885.84 (75.9) 8 (75. May 16 Prico 57.40(2/6) High | Low 68.38 68.18 63.48 (711) 1.84 1.09 Acasita 3.36 2.45 Banco Srazii 4.89 1.95 Belge. Min 2.84 1.40 Lojas Amer 4.50 1.57 Petrobras P 4.00 2.30 1.35 Pirelli 4.00 2.35 Souza Cruz 7.20 4.80 Unip PE 80.00 8.93 Vale Rie Does. BELGIUM 98,54 80.14 (67(5) BELGIUM/LUXEMBOURG (8/2/80) (8/7/62) 185,52 10,52 (20/4/68) (28/4/45 DENMARK GERMANY 74,78 (6/8) sen SE (1,1/78) May 16 1980 High | Low 2,480 1,980 ARBED.
6,400 5,000 Sanq Ind & LDC.
2,176 1,890 Sekaert B.
1,110 900 Ciment CBR.
2,820 276 Cockerii .
2,820 1,270 EBES .
5,150 5,980 Electrobel .
4,810 5,200 Fabrique Nat.
8,810 5,200 Fabrique Nat.
1,950 GBL (Braxt) .
1,122 880 Geyaert .
0,195 2,480 Hoboken .
1,700 1,470 Intercom .
6,510 6,370 Kredietbank .
4,010 5,200 Patrofins . FRANCE May 16 Price Dm. 4 Pay's high 829,59 low 819.11. CAC General (28/12/61) Ind Tendance (28/12/75) High | Low 71 AEG-Telef...... 348 Allienz Vers..... 135.3 BASE 115.7 BAYER..... 215.0 Bayer-Hypo 251, Bayer-Verein... 122,9 480 131 128 261 285 78.9 079 143 182.7 224.5 275.4 1,040 283 1,870 6,770 GERMANY FAZ-Aktien (51/12/54) 294,28 [e] Commercianic(Dec. 1855 784.10 (c) TEL AVIV May 9 | May 9 | Apr. 85 | Year ago (approx Prices Change May 18 on the 1980 week ind. div. yleid 🕱 6,50 6,33 6,49 6,02 3,200 2,370 1,890 1,378 2,485 Banking, Insurance and Finance
Bank Leumi la Israel...
13E Bankhelding
Union 8k. of Israel 8r.
United Mizrahi Bank...
Hasensh Insurance 8r.
General Mort. 8snk 2r.
"Telshel" Isri. Mt. 8k. HOLLAND ANP-CBS General (1978) 82.50 (c) ANP-CBS Indust. (1979) 84.70 (c) May May May May May May 15 16 14 13 13 9 High Low High Low 1,819 5,700 3,518 50.5 257 227 788.9 (19/5) lang Seng Bank(\$1/7/64)| 900,29 910.84 900.78 992,48 965.17 (15/2) 85,11 (2/1) 274.9 213 | D'aché Babcock. | 213
807.7 | 226.8 | Deutsche Bank... | 258.6 |
159.6 | 126.5 | Du Schult... | 138
197 | 127 | Dresdner Bank... | 178.3 |
145 | 120 | Dyck Zement... | 120
191 | GHH ... | 206.5 |
77 | 66.5 | Hapeg Lloyd... | 23.9 |
124.1 | 109.1 | Hoechst... | 27.5 |
405 | 325 | Nalzmann (P)... | 390 |
137.5 | 12 | Horten... | 103 |
170 | 139 | Kallund Salz... | 154.0 |
268.5 | 212 | Karstadt... | 252.8 |
200 | 168 | Karstadt... | 258.8 | JAPAN May 15 ; May 7 Apr. 30 Year age (approx Land Develop ind. div. yield 🖫 --Land Development
Africa lared Inv. IE15 1,000
Israel Land Sevpt. 2r. 308
Property and 2uilding... 384
Public Utility
Ierael Electric Con. ... 540 3,38 6,56 +330.5 1.00Sleigh [H.G.]
2.25Southland Ming.
0.39|Spargos Expl....
1.91|Thos Nationwide
1.78|Tooth....
3.70|Utah Mining
0.25|Vallant Consdt...
0.55|Vallant Consdt... Ind. P/E Retio 7,40 7,57 1,480 740 ... 1,842 125,89 125,46 144,70 (14/2) 110.12 (28/6) Long Gov. Bond Yield 10, 19 9,91 10,70 9.18 SINGAPORE Straits Times (1986) es and Falls 429.75 (6/1) Investment Companies DENMARK | 1,849 | 1,849 | 1,849 | 1,849 | 1,849 | 1,841 | 1,841 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,842 | 1,84 BOUTH AFRICA 0.53 Waitonc 0.62 3.55 Western Mining 4.25 1.70 Woodside Petrol 2.72 1.42 Woolworths 1.46 2.76 Wermald Intl 3.10 1,871 903 597 071 16 15 14 13 547.2 555.7 894.5 (8/6) 494.4 487.9 317.2 (14/2) 505.0 (4/1) 456.0 (29/1) 555.7 (c) 498.4 (c) High : Low Gold (1856) Industrial (1956) 200 168 | Kaufhof | 198,5 | KHD | 198,5 | KHD | 198,5 | KHD | 199,5 | KHD | 199,5 | KHD | 199,5 | KHD | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 | 199,5 May 10 Price Krone 185.7 917.0 43.2 65 500.0 61195 61 89 60 90 60 54 67,77 55.50 (15/2) (27/5) Alliance Tire & Rubber 1,849 Higb | Low SPAIN 136.5 108 Andelsbanken 108 303 218 Baltica Skand 294 79.5 53.5 Burm & Waln 56.25 121;102,73 CopHandelsbank 102.75 222;189.75 D. Sukkertab 216.25 126;100,75 Danske Bank 100.75 128,6;140,75 East Asiatic 104.75 152.5 141 Finansbanken 141.3 252 205 Ferende Brygg 328 108 294 56,26 95,76 (13₆5 94.03 (c) Madrid 3E (28/12/79) SINGAPORE 1980 MONTREAL May May May High Low SWEDEN May 14 664.72 (17)1, 1980 May 10 Price | 5.15 | 8.35 | Boustand | 3.48 | 3.48 | 3.60 | Cold Storage | 3.48 | 3.48 | 3.60 | Cold Storage | 3.48 | 4.52 | 7.00 | 5.70 | Fraser & Neave | 3.85 | 2.70 | 1.79 | Haw Par | 1.99 | 2.76 | 8.12 | Incheape Bhd | 3.72 | 10.45 | 7.95 | Malay Banking | 13.40 | 7.90 | 4.68 | Maley Brew | 5.05 | 9.00 | 7.15 | OCBC | 8.13 | 1.45 | Pan Elect | 1.79 | 3.30 | 2.685 | me Darby | 5.14 | 12.80 | 7.65 | Straits Tridg | 12.50 | 4.45 | 3.50 | UOB | 5.94 | Fuel and Oil SWITZERLAND Swiss Bank Co. (61/12/55 290,80 (c) 285,8 282,5 317,8 (11/2) 37,84 558,09 558,78 551,14 423,89 (29,2) 525,21 (27,5) 318,29 517,76 518,85 811,17 578,90 (29,2) 298,89 (27,6) 284.5.(22/4) NORLD Dapital Intl. (1/1/78) 650 915 TORONTO Composite: 1882.4 1871.7 1858.5 1858.5 2192.8 (29/2) 1702.5 (27/6) 282 Aviv. NEW YORK ACTIVE STOCKS NEW YORK A
Change
Stocks Closing on
Traded price dey
1,371,300 : 25% - %
1,372,300 : 16 + %
1,452,300 : 25% - %
1,452,500 : 27% + %
1,452,500 : 27% + %
1,452,500 : 30% + 1% - Spanish prices, Page 16 and Poors—10; and Toronto—1,000; the last named based on 1976. I Embeding NOTES -- Prices on this page are as quoted on the individuel exchanges and ere less traded prices. S Deslings exspended. xd Ex dividend. xe Ex scripteses. xr Ex rights, xa Ex att. bonds. \$ 400 industriels. \$ 400 industrials plus 40 Utilities, 40 Financials and 20 Transports, c Closed. u Unavallable.

INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS

BY OUR EUROMARKETS STAFF

A forlorn protest from the dealers

STRAIGHT dollar Enrohonds points on the week, helped by closed the week virtually up the better outlook for the curtrading with Ascension Day a to be announced this week, is holiday in continental centres expected to be SwFr 80m for York for the Association of International Bood Dealers' annual meeting.

With the market quieter the spate of new issues subsided. Prime rates and Eurodollar rates were also lower on balance, but the note of caution remains over the speed with which dollar rates bave

The chart shows how shortterm interest differentials have changed radically in the weeks aince Easter. While the short-term differential between dollars and Swiss fraocs has narrowed significantly, there has en an about-turn in the doliar/sterling differentials.

Sterling rates, which were slightly lower than those on dollars at Easter, are now 6 per cent higher—amid indica-tions from the UK Government that there are no immediate prospects of a cut in Minimum Lending Rate Nonetheless sterling Eurobonds ended the week about I points higher on

posted average gains of among dealers present at the

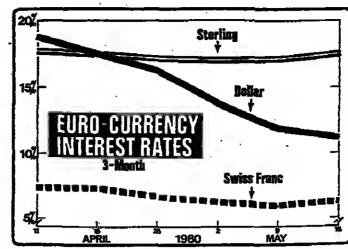
changed on halance in very thin rency. The next new issue, due and many dealers away in New the Spanish railways, RENFE, managed by Swiss Bank Corporation. D-Mark foreign bonds closed ? points higher on the week in subdued buliday trad-

> issues activity bas New slowed in this sector, too, with the DM 100m bond for Akzo, managed by Deutsche Bank, the only new offering during the week. There is also a sbortage of new domestic paper and this is lending a firm undertone to the market.

In New York the AIBD's

twelfth annual meeting will not be remembered as a milestone for Eurobond market. This might have been ntherwise if a resolution from the Nordic region bad been carried. It AIBD be given a mandate to prepare an in-depth study of problems in the primary and secondary Europonds markets and to prepare a set of alternative solutions to these prob-

It was defeated by 178 votes to 120. Despite this defeat. Swiss franc foreign bonds there was obvious frustration



annual meeting. There is evi- the whola distribution pattern dently a growing resentment among Eurobond traders traders against the large underwriting bond houses which dominate

the new issuing business. The traders feel these houses are to blame for much of the trouble which has beset the market during the past year, which for many bas been the worst in tha 12 years of the aasociation's history.

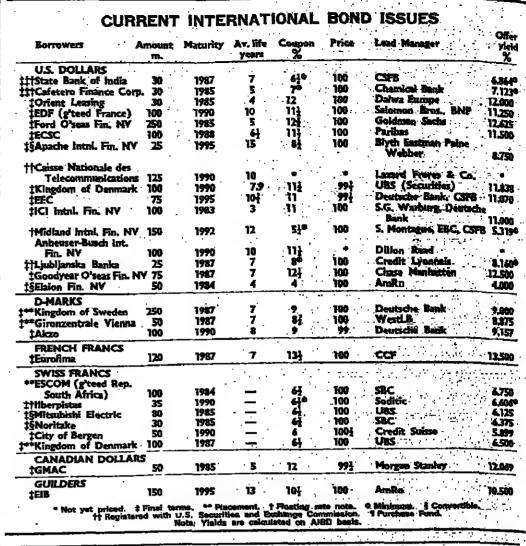
was a bold attempt to get the These dealers agree with the AIBD directly involved in the Eurobond new issue market, proposer of the Nordic region resolution, Mr. Kurt Olav Orbech of the Union Bank of something it has always shied Norway, who complained that away from becoming. The AIBD

been dominated by personalities Rupert Hambro, bas always from the trading area of the Eurobond market. Bankers involved on the new issue side have usually not strayed beyond the specialised committees of The maor issuing bouses of

the Eurobond market are very loathe to see procedures standardised in a business where freedom to innovate has always been one of the main attractions,

Whether this tension between the trading and Issning sides of the market market will reemerge at next year's meeting will depend in part oo the state of the market; if it booms as a result of hie coming U.S. reces sion, the subsequent fall in U.S. interest rates and the strong dollar, the issues of "grey market" trading and the commission's structure might well be buried yet again.

However, if the market goes through another 12 months of mispriced issues which are very difficult to sell—as happened throughout 1979 and up to last winter—the resolve of the Nordic region to air the whole issue could be strengthened. Lex, Eurosterling FRNs, Back



CREDITS

BY PETER MONTAGNON

issuing bouses.

Flight into quality

THE SLOWDOWN of lending to other banks have joined the Dominion. Eastern Europe in the after management group. These are math of the Soviet invasion of Bank of Montreal. Banque de Afghanistan bas prompted a l'Indochine et de Suez, Credit Lisbon over the weekend to marked increase in the appetite Lyonnais, Kredletbank Inter-discuss terms for Portgual's of international banks for borrowings by Western European

Sadly enough for the banks. this has come at a time when the very best rated borrowers in Northern Europe have, with the axception of Belgium and Finland, been reinctant to come to market. By contrast there continue to be a number of ENEL is reported to have met deals for well rated borrowers with very strong demand, while in the South of the continent, the latest loan for the Central Because of the "flight into quality" these are attracting strong attention.

For example, the credit being arranged by Credito Italiano and detells of the next Greek credit,

national, Marina Midland and The credit Sumitomo Bank. The credit bears a spread of a per cent over eight years after which participations will be taken back by the managers for a further two years at a spread of ‡.

Also in Italy, the \$1bn refinancing announced month by Bank of America for Bank of Greece was raised to \$550m from an originally pro-jected \$300m. Following this, banks are already awaiting

A group of 10 international meanwhile, visited forthcoming \$350m credit. The banks are: Chase Manhattan, CIBC, Credit Lyonnais. DG Bank, Fuji Bank, Industrial Bank of Japan, Lloyds Bank International, Natwest, Ste de Banque Generale WestLB.

The outcome was a mandate for an eight-year credit with a spread of } per cent for the first three years rising to ‡ per cent thereafter and a 41-year grace period. There has been an unusually complicated allocation of roles to individual managers. Joint agents are Credit Lyonnais and LBI: the books are to be run jointly by DG Bank and Chese, while Nat-Orion for Societa Italians per expected to be for the country's books are to be run jointly by l'Esercizia Telefonica has been Public Power Corporation under DG Bank and Chase, while Natraised to \$200m from \$150m. Six the management of Toronto West will handle the documents

jointly with

Elsewhere, the management group for Brazil's Banco Nacional do Desenvolvimento Economico \$350m credit bas en expanded to include Citibank, Banco de Bilbao and Ste Generale de Banque.

of bonds bad been disturbed,

and that retail buyers might

disappear, as a consequence of

the discounts in price granted by the issuing houses to insti-

tutional clients. Underwriting

agreements were not being kept and Mr. Orbech hinted that it

was now difficult to discuss the

matters with the major bond

The Nordic region resolution

The credit went into syndication last week, and by Friday a sell-down of around \$60m bad been schieved, according to estimates from international bankers. This includes some of the 10-year tranche which Bank of Montreal had retained for itself as agent for the deal, but which is now being sold in the market place. The sell-down total could increase next week, as banks which delayed their participation decisions because of the Ascension day holiday send in their replies. Japanese lending, Page 24

U.S. BONDS

Volcker puts the brakes on rally

FOR THE second week in succession, the credit markets faded before the weekeod, worrying about the money supply. Federal Reserve policy and the additional pressures caused by growing corporate financing in the bond market. recent shrinking in the money

snpply could not continue for Although the weekly changes in rates shown in the table do not indicate very large upward movements, that masks the fact that for the first three days of last week the credit markets continued their remarkable

U.S, INTEREST	RATES (~.}
	Week to May 18	Week I
3-month Trees, Sill	8.93	a,90
3-mth, comcl. paper Federal Funds weekly	9.20	9,38
average	11.13	11.13
Treas, 30-year bond	10,42	10.36
Lng-term AAA utility	11.56	11.45
Lng-lerm AA indstrl.	10,97	10.75
Source: Salamon Bra	. estima	es.

Volcker, chairman of the Fed, began explaining to a Congressional committee that

He was obviously trying to tell the market not to behave like a market when it saw the money supply figures the fol-lowing day. Whether his advance notification helped it is hard to say, because the very warning was enough to add half a percentage point to three-month Treasury hill rates and

to knock between one and two

noints off the price of long

up \$5.8bn, one of the largest Open Market Committee meet-

point increase from the Wednes- simple fundamental of inflation,

to emphasise that one week's money supply figures, infinenced

some reason for thinking that 13 per cent. interest rates are unlikely to sink much lower in hie lmmediate future. The most compel-

month-long rally.

The break came on Thurshills ended the week over the as Mr. Volcker has strongly after Mr. Paul 9 per cent mark, a percentage hinted. More important is the

BY IAN HARGREAVES

Even optimistic Administra If Mr. Vnlcker were writing tion economists, who believe this column, be would be quick they will have the consumer more than usually by seasonal that the so-called "traderlying factors, does not make a trend, rate of inflation." (inflation in For the past four weeks re such things as interest rates, ported, MI-A bas in fact and sudden boosts from bigher declined at an average rate of energy costs) is probably still going up and that it is certainly Besides the tendency of the still well in excess of 10 per market to over-react, there is cent and perhaps as high as

. Unless bond traders become utterly uncharacteristically optimistle, it is hard to see how When the figure came-M1-A Fed may or may not do at its yields on a 30-year Treasury. bond should, at this stage, full increases on record—the maring tomorrow or indeed, much below the 10.4 per cent ket unsurprisingly accelerated whether the Fed will sonn start range they are trading at

This announcement appears as a matter of record only.

DM 50,000,000



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Australian Res. 93 84 30
Beneficial Fin. 94 87 ... 100
CECA Grad Rate 12 86 100
CECA 112 90 50 90% 81% -0% +0% 11.63 94% 94% -0% +0% 11.35 88% 86% -0% +0% 11.97 95% 95% +1% +0% 12.90 96% 91% -0% -1 12.14

Sweden 94 87	200 400 250 150 200 308	105 941 957 1107	1057, 957, 96%, 108 109%,	+0½ +0½ +0½	+1%	8.97 8.46 6.45 5.35 8.63
SWISS FRANC STRAIGHTS	lasue	d Bid	Offer	Chan day	ge on week	Yiald
Argenuna 5 ² , 89	80 60 250 40 75 75 100 100 100 100 100 100 100 100 100 10	854 894 894 894 894 894 894 894 894 894 89	864 901,271,871,871,871,871,871,871,871,871,871,8	-0005555555555555555555555555555555555	-++++-++	6.16 5.50 5.50 5.50 5.50 5.50 5.50 6.50 6.5
Shikoku SI. Pwr. 44, 89 Steweeg & 91 Voest-Alpice 44, 89 World Sank 44, 89 World Sank 44, 89 Werld Sank 44, 91 Average price chang	100 50 90 100 150	931, 931, 931, 911, 92	84 84 94 934 917 924	-01 +01 -01 -01 -01	+0% +1% +1% +0% -0% +1%	5.63 5.50 5.67 5.58 5.62 6.57
_						

INTERNATIONAL BOND SERVICE Issued Bid Offer day week Yield Medium term 93¹ 93¹ +0¹ +0¹ 12.27 May 16 ... 91.05 10.50 80.40 11.27 102 103 +0¹ +0¹ +0¹ 12.85 May 2 ... 90.81 10.71 50.12 11.32 190 91 0 +1 13.36 High '90... 91.05 (16/5) 89.19 (2/1) 91.91 0 -1¹ 12.35 High '90... 91.05 (16/5) 89.19 (2/1) 91.91 0 -1¹ 12.23 Low '80 ... 86.32 (2/4) 71.64 (29/2) 191 93 0 -10... 12.23 OTHER STRAIGHTS

> No information available previous day's price. supplied a price.

in millions of currency units ex-cept for Yen bonds where it is in billions. Change on week= Change over price a week earlier.

FLOATING RATE NOTES.
Denominated io dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date

CONVERTIBLE BONDS: De Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion centage premium of the currer effective price of acquirin shares via the bond over th The list shows the 200 lates

Company for Trading Se SAK: Kredietbank NV Commercial de France, Credit Lyonnals, Commerciank AG Deutsche Bank AG, Wesideutsche Landesbank Girozentrale, Banque Internationale Luxembours Algemene Bank Nederland NV: Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Bonditede: Credit Commercial de France (Secs.) London; Citicorn International Bank; Daiwa Europe NV; Deltee Trading Company; Dillon, Read, Overseas Corporation; EBC; First Chicago; Goldman Sachs International; Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Marrill Lynch, Morgan Stanley International; Nesbitt Thomson; Salomon Algemene Bank Nederland N Nesbitt Thomson; Salomor Brothers International; Samue

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The Royal Bank of Canada (London) Limited

Société Générale de Banque S.A.

Amsterdam Rolferdum Bank N.V. Arab Bank Investment Company Aleks Bank of Karedi (E.S.C.) A.E. Amer & Co. Bank of Tokyo International Banque Française du Commette Extérien Basque Internationale à Immunitenz S.A. Buoque Privée de Gestion Fjospeière Rayerische Hypotheken- and Weschsel-Bank Archold and S. Ricicianeder, Inc. Chase Manhatian Credit Lyonnais Credit Suisse First Boston (Asia) Credito Italian Den Danske Bunk DG Bank Dai-Jehi Kangyo Bank Nederland N.V. Fuji Infernational Finance Dillen, Read Oversens Corporation Goldman Sacks International Corp. Gennyenschaftliche Zentralbenk AG Istinto Bancario Sau Paolo di Torine Crompenent des Benquiers Privés Generois Kannelle-Oneka-Pankhi Kanait International Investment Co. s.a.k., Lazzel Februs et Cle Kursit Poreign Tradley Contracting & Investment Co. (S.A.K.) Missishi Rank (Sumps) S.A. McLood Young Weir International Microl Pinesco Karoga The Nikko Securities Co., (Europe) Ltd., The National Commercial Bank Sal, Opportein it. & Cie. Pierson, Heldring & Pierson N.V. Nispen European Rank S.A. L. Henry Schroder Wagg & Co. Seinöder, Minchmeyer, Hengst & Co. . M. M. Warting-Bille Course, White & Co. WHEEELS, Glyn & Co. Wood Gently S. S. Werburg & Co. J. L.

NEW ISSUE

MAY 1980

These securities having been sold, this announcement appears as a matter of record only.

MAY 1980

U.S. \$75,000,000

J. C. Penney Overseas Capital N.V.

(Incorporated with limited liability in the Netherlands Antilles)

13½% Guaranteed Notes Due 1985 Guaranteed unconditionally as to principal, premium, if any, and interest by

J. C. Penney Financial Corporation

Credit Suisse First Boston Limited

Alahli Bank of Kewait (K.S.C.) Algemene Bank Nederland N.V. Amsterdam-Rotterdam Bank N.V. Backs Halsey Stuart Shields The Bank of Bernauda Bank Cantrade Switzerland (C.L.) Bank Gutzwiller, Kurz. Bungener (Overseas) Bank Julius Barr International Bank Lee International Ltd. Bank Mees & Hope NV Bank of Tokyo Intern Banque Internationale à Luxembourg S.A. Banque Nationale de Paris Banque de Paris et des Pays-Bas Banque Populaire Suisse S.A. Luxembourg Bayerische Hypotheken- und Weschsel-Bank Berliner Handels- and Frankforter Bank Caisse des Dépôts et Consignations Crédit Lyoquais Credit Suisse First Buston (Asia) Dai-Ichi Kangyo Bank Nederland N.V. Daiwe Europe N.V. Delhrück & Co. Den Danske Bank DG Bank Euromobilizee S.p.A. First Chicago Robert Fleming & Co. Fuji International Finance Genossenschaftliche Zentralbunk AG Guldman Sachs International Corp. Hill Sameet & Co. Groupement des Banquiers Privés Genevois Handel-bank V.W. (Overveas) IBJ International Internationale Genossenschaftsbank A.G. Istituto Bancario San Paolo di Torino Kidder, Peabody International Eleinwort, Benson Krediethank N.V. Ruwait Foreign Trading Contracting & Investment Co. (S.A.K.) Kuwait International Investment Co. s.a.k. Kawait Investment Company (S.A.K.) Lezard Brothers & Co., Lezard Frances et Ge Libyth Bank International LTCB International Manufacturero Hanover Mercill Lynch International & Co. Samuel Montagn & Co. Mongan Grenfell & Co. . National Bank of Abs Dhahl Nederlandse Crediethank N.V. The Nikko Securifies Co., (Europe) Ltd. Nippon European Bank S.A. Nomura Europe N.V. Nordie Bank Rouschäd Bank AG N. M. Rothschad & Sons The Royal Bank of Canada (Loudon) Pierson, Heldring & Pierson N.V. PKhanken Privathanken Schröder, Münchmeyer, Hengst & Co. Sauna Bank (Underwriters) J. Henry Schroder Wagg & Co. Skandinaviska Enskilda Banken Smith Barney, Harris Upham & Co. Societé Bancaire Barelays (Suisse) S.A. Store Benk Corporation (Oversess) Trade Development Benk, Union Bank of Switzerland (See J. Voniobel & Co. S. G. Warlang & Co. Ltd. Yamaichi International (Europe) Williams, Clyn & Co.

19. 11. 24. 11. 23. Se in the contract of the cont

Exhibition Centre.

Harrogate Kings Hall, Belfast

Wemblet Conference Centra

Wembier Conference Centre

Earls Court

Monte Carlo

Genoa

GENERAL MOTORS **CORPORATION**

NOTICE IS HEREBY GIVEN that resulting from the Corporation's Declaration of a Dividend of \$0.60 (gross) per share of the Common Stock of the Corporation, payable on the 10th June 1980 there will become due in respect of Bearer Depositary Receipts a gross distribution of 3 cents per unit. The Depositary will give further notice of the Sterling Equivalent of the net distribution per unit payable on and after the 16th June 1980.

All claims must be accompanied by a completed Claim Form and U.S.A. Tax Declaration obtainable from the Depositary. Claimants other than UK Banks and Members of The Stock Exchange must lodge their Bearer Depositary Receipts for marking. Postal claims cannot be accepted

The Corporation's First Quarter Report for 1980 will be available upon application to the Depositary named below.

> **Barclays Bank Limited** Securities Services Department 54 Lombard Street London, EC3P 3AH

Offer to the Shareholders of GRANGES AB

Holders are advised that the Board of Directors of AB Electrofux has ended their offer to acquire the shares of Granges A8 until Friday

Holders are devised that the board of Directors of Ab Directors has extended their offer to acquire the absence of Granges A8 until Friday 13th June 1980.

The terms of the offer, which are unchanged, are as follows:

One Granges A2 share antitles the holder to S.Kr.100 nominel of a 10% Electrolux Convertible Subordinated Loan 1980/80 (carrying the right of conversion into 8 shares of A2 Electrolux et the rate of one 8 share per S.Kr.150 nominal of Loan Stock held, from 2nd Januery, 1982 to maturial. maturity).

United Kingdom Sharehalders wishing to eccept the offer may lodge their certificates duty transferred in blank and accompanied by a completed lodgement form with any of the following:

Skendineviska Enaklida Benkan Issue Oepartmant Issue Oepartmant 2-106 40 Stockholm 8-103 38 Stockholm

8. G. Warburg & Co. Ltd.
Coupon Repartment
St. Albana Hausa
Goldsmith Street
London EC2P ZDL

from whom lodgement forms and copies of the offer distance.

The Board of Granges A2 unanimously recommend

ENSO-GUTZEIT OSAKEYHTIO

U.S.\$20,000,000 93% 1975/1982 Guaranteed Bonds NOTICE IS HEREBY GIVEN to Bondholders that Bonds for the principal amount of U.S.\$1.000,000. have been purchased for the Purchase Fund during the twelve-month period from May 5, 1979, to May 4, 1980.

Amount outstanding: U.S.\$18,500,000.

May 19, 1980.

ENSOGUTZEIT OSAKEYHTIO

Fleming Japan Fund S.A.

SOCIETE ANONYME LUXEMBOURG 37 RUE NOTRE-DAME R.C. LUXEMBOURG B #392

DIVIDEND NOTICE

GENEVA, Basie. Zurich and Berne. Wides choice of cheap flights from 4 UK air ports. Brochure FALCON 01-351 2191

HAVANA CIGARS at wholesale prices, Condition guaranteed, Send for price list. Harrison & Simmonds County Tebacconist. 80. High Street. Bedford

TRAVEL

PERSONAL

vidend of USSO.20 (20 cents) has declared payable as 'rom May 1980 to shareholders of record 14th 1980 against presentation pupon Nn. 10.

By Order of the Board The Secretary

PROVINCE DE QUEBRO LOAN OF FF 125.000.000 75%

Coupons due on June 15, 1980 will be payable at the following banks:

CREDIT LYONNAIS, Linembourg CREDIT LYONNAIS, Paris ALGEMENE BANK, NEDERLAND

N.V. Amsterdam
BANCO DI ROMA. Rome
BANQUE DE PARIS ET DES
PAYS-SAS. Paris
COMMERZBANK A.G.,
Frankfurt/Main KREGIETBANK N.V., Brussets LLOYDS BANK INTERNATIONAL LTD., London

Amoant remeining in circulation for this third instalments FF 98,000,000 The Fiscal Agent

CREDIT LYONNAL

SOCIETE INTERCOMMUNALE BELGE DE GAZ ET D'ELECTRICITE Societé anomene Place du Trône 1, Brusents, Belgrum NOTICE IS HEREBY GIVEN that the gi dividend for the financial year ending December 31st. 1979, will be payable in May 20th. 1980, net of Belolar all dividean in the second of the second of

offices of:

MIDLAND BANK LIMITED
International Division
P.O. Sox 181. 50. Gracecturch Street.
London. E.C.3.
BANQUE DE PARIS ET DES
PAYS-BAS S.A.
33. Throgmorion Street. London. E.C.2.
BANQUE BELGE LIMITED
4. Bishopsorts. London. E.C.3.
BARING BROTHERS AND CO.
LIMITED
SS. Leadentall Street. London. E.C.3.
HILL SAMUEL AND CO. LIMITED
100. Wood Street. London. E.C.3.
By virtue of the bisheral tax convention between the United Kingdom and Northern relaind on one bard. and Begins on the other hand, withholding tax on sirvidends is limited to 18%.
Shareholders residing in the United Kingdom and Northern relaind are excited to 15%.
Shareholders residing in the United Kingdom and Northern fream are excited accordingly ceither to reclaim bax said in excess of 15%. or by prior arrangement strongth their bankers to have the deduction of too limited to 15%.
In alther case, arrangements should be made through the shareholders and bankers.

NICHII CO. LTD.

Further to notice of February 21.
1980. The Chase Manhattan dank, N.A., London, as Depositary informs EDR holders that the free distribution of Sheres kas now been received in Tokyo. EDR holders should now present Courson No. 8 in order to claim their entitlement as the office of the Depositary, The Chasa Manhattan Bank. N.A., Woolgate Housa. Coleman Street, London EC2P 2HD. or at the office of the Depositary & Agent. Chase Manhattan Bank Luxembourg. EDR holders should submit delivery not prejistration instructions covering their entitiesment of new shares when presented to provide the course of the street of the Course No. EDR course of the Course of NOTICE TO EDR HOLDERS

4Millions 396,920 11,403 6,327

THE CHASE MANHATTAN BANK, N.A. London, as Depositary

LEGAL NOTICES

" IN THE MATTER OF "DUBA COMPONENTS LIMITED ANO IN THE MATTER OF THE COMPANIES ACT 1948

NOTICE IS HEREAY GIVEN that the creditors of the above-named Company, which is being voluntarily wound uo, are required, on or before the 19th day of Juno, 1980, to send in their full Christien and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitore (if any), to the undersigned Keith David Goodman. FCA, of Mesers, Leonard Curtis & Co., 3/4 Bentinck Street, London W1A 3BA, the Liquidator of the seid Company and, if so required by nodes in writing from the said Liquidator, are, personally or by their Solicitors, to come and and prove their debts or claims at such time and place as shalf be specified in such routice, or in default thereof they will be excluded from the heavist of any distribution mede before such debts are proved. NOTICE IS HERERY GIVEN that the

abts are proved.

Dated this 8th day of May 1987.

K. O. GOODMAN Leguidator

INVEST IN 50,000 BETTER TOMORROWS!

50.000 people in the United Kingdom suffer from progressively paralysing MULTIPLE SCLEROSIS — the cause and cure of which are still unknown — HELP US BRING. THEM RELIEF AND HOPE.

We need your donation to enable us to continue our work for the GARE and WILL RE

OF MULTIPLE SCLEROSIS sufferers and to continue our commitment to find the continue our commitment to find the continue and cure of MULTIPLE SCLEROSIS through MEDICAL RESEARCH.



Please help-send a donation today to: Room F.1, The Multiple Sclerosis Society of G.B. and N.J., 4 Tachbrook Street, London SW1 1SJ.

ement complies with me requirements of The Stock Extensinge of the United Kingdom and the Republic of Ireland.



Cafetero Finance Corporation

U.S.\$30,000,000 Guaranteed Floating Rate Notes 1985 Unconditionally and irrevocably guaranteed on a subordinated basis as to payment of principal and interest by

Banco Cafetero

(Incorporated with limited liability in the Republic of Colombia and wholly owned by the National Collee Fund of the Republic of Colombia)

Issue Price 100%

The following have agreed to subscribe or produre subscribers for the Notes.-

Chemical Bank International Limited Citicorp International Bank Limited

Arab Latin American Bank -ARLABANK-

Banco de Bogotá S.A. (Panamá) Bank Brussel Lambert N.V.

CIBC Limited **County Bank Limited**

Deutsch-Südamerikanische Bank A.G. **Grindlay Brandts Limited** iBJ International Limited Scandinavian Bank Limited J. Henry Schroder Wagg & Co. Limited

Société Générale

The Notes in the denomination of U.S.\$1,000 have been admitted to the Official List of The Stock Exchange of the United Kingdom and the Republic of Ireland subject only to the issue of the Notes. Particulars of the Notes, Caletero Finance Corporation and Banco Cafetero are available in the slabstical services of Extel Statistical Services Limited and may be obtained during normal business hours on any weekday (Saturdays excepted) up to and including 2nd June, 1980, from:

> Cazenove & Co. 12 Tokenhouse Yard, London EC2R 7AN.

19th May, 1980

APPOINTMENTS

Senior post at BET

Viscount Colville of Culross a similar position with Rush has been appointed a deputy and Tompkins. chairman of the Board of the BRITISH ELECTRIC TRAC- Mr. John F. Kidston has been TION COMPANY. Lord Colville first became connected with BET in July 1961, when he was appointed a director of Associated-Rediffusion.

Mr. Alan Scholefield has been appointed chief accountant of PILKINGTON FLAT GLASS and of the Pilkington Flat Glass Europe Division from July 1.

Mr. David O. Hayward is to become chief executive officer of LAMBETH BUILDING SOCIETY at the end of May. He who will retire from that posi-tion but will continue as a

part-time member of the BRITISH NATIONAL OIL COR-PORATION. He replaces Mr. Fred Jones, who has retired from the Civil Service.

Mr. Malcoim Fifer, managing director of Leicester Photo-Litho Service, has been elected president of the GRAPHIC REPRODUCTION FEDERATION. First vice-president is Mr. Alan Burgess and second vice-oresident Mr. Bruce Harvey. Mr. Tony Owen has been elected Mr. Tony Owen has been elected honorary treasurer.

Mr. R. W. D. McKelvie, Mr. J. S. Daniel and Mr. I. M. Kirk have joined the partnership of FIELDING, NEWSON-SMITH AND CO., stockbrokers, from today.

Mr. James R. Cowan, director of the Scottish Area of the National Coal Board and also member of the main Board, has been appointed chairman of the SCOTTISH BRICK CORPORA-TION. This company is owned jointly by the National Coal Board, Thomas Tilling and Anrora Holdings in each case through subsidiary companies.

Mr. Leslie Andrews has been annointed commercial director of R. MANSELL, building con-tractors. He was previously in

appointed managing director of Haima subsidiary STANDARD ENGINEERING COMPANY, manufacturer of footwear machinery. He was sales director for 31 years.

Mr. James Labore, currently Reader in Law at Monash University Australia, bas been appointed the first Herchel Smith Professor of Intellectual Property Law in the Faculty of Laws at QUEEN MARY COLLEGE, University of London. SOCIETY at the end of May. He The chair, the first of its kind will succeed Mr. C. J. Wagner, in the UK, has been established who will retire from that posi- under an endowment of some £400,000 to the Callege by an educational foundation, of which Dr. Herchel Smith is a leading The Secretary for Energy has benefactor. Intellectual property appointed Mr. Nigel Wicks as a law is concerned with the legal part-time member of the protection of know-bow, and embraces the increasingly complex and important areas of patents, copyright, trademarks and law relating to the confi-dentiality of trade secrets.

> Mr. Alf Shipman has been appointed financial controller of the LONDON CO-OPERATIVE SOCIETY. He succeeds Mr. Francis McKay who resigned recently. Mr. Shipman joined the Society in 1937 at the age of 14 as an office boy/clerk at the Central Trade Office.

Captain Jorge Otté has been appainted managing director of CHARTCLASS, a newly-formed company specialising in oilfield and marine charters, marine project consulting, and the sale and purchase of oilfield materials and equipment.

Mr. K. L. Carter, vice president and general manager of HAWKER SIDDELEY SWITCH-GEAR INC., Montreal, Canada, has been appointed a director of the company.

The TORO COMPANY'S international group bas promoted Mr. Edward B. Reilly to the post director of marketing for Europe for the company's powered machinery for lawn and garden care.

LOCAL AUTHORITY BOND TABLE

Authority (telephone number is	Annual gross interest	pay-	t Minimum sum	Life of bond
parentheses)				77
nowsley (05) 548 6555)	% 142	i-vear	1 000	Year

Redbridge (01-478 3020) 14] -year Redbridge 101-478 3020) 141 1-year 200



ARNOLDO MONDADORI EDITORE S.P.A. Publishers with Head Office in Milan (Italy) - Capital Lit. 7,507,500,000

Annual General Meeting of 30th april 1980

The Meeting of the Company's Sharebolders was held in Milan on the 30th April 1980 in nrder to approve the Balance-Sheet as at 31st

In its Report the Board of Directors emphasized the following items: the balance-spect closed with a net profit of Lit. 5,300 million (as against a profit of Lit. 5,100 million in 1978);

the tumover for the year amounted to Lit. 305,200 million (+24.1%);
 the exports, already included in the total turnover, amounted to

Lir. 80,100 million (+ 36.1%);

the turnover of the controlled companies stood at Lit. 137,000 million; thus the Group's turnover reached Lit. 442,000 million;
 the fixed assets in machinery added up to Lit. 58,500 million;

 the depreciations for the financial year totalled Lit, 6,400 million. Lit. 1,200 million of which were calculated over and above the normal aliquits. The depreciation fund reached Lit. 37,900 million;

the reserves shown in the accounts went up to Lit. 20,700 million;

 the personnel employed by the Company at 31st December 1979 numbered 5.492. The Group's employees, including the controlled companies' staff, were 6,992.

The Sharehniders' Meeting approved the distributino of a dividend of Lit. 140 (as against Lit. 120 in 1978) for each preference share, and of Lit. 120 (as against Lit. 100 in 1978) for each ordinary share of Lit. 1,000, by drawing Lit. 970 million from the profit.

The rest of the profit, amounting to Lit. 4,300 million, was brought At the Extraordinary Meeting the Board decided:

- the merger by incorporation of the Companies Isedi, General Promotion, Immubiliare Sate

the free capital increase from Lit. 7,507,500,000 to Lit. 10,010,000,000 by drawing from available reserves. To Shareholders will be assigned one free new share far three shares held. The capital will then be brought down to Lit. 10,000,000,000 by the purchase and annulment of 10,000 preference shares.



The dividend is payable as of 5th May 1980 upon presentation of coupon No. 15, for the ordinary shares at the Securities Department of the Company's administrative office at Segrate (Milan), while the dividend for preference shares is payable also at the counters of the

Rand Mines Properties RMP Limited

(Incorporated in the Republic of South Africa)

A Member of the Barinw Rand Group

An agreement has been concluded between Thesen and Co. (Pty) Limited (Thesens), a wholly owned subsidiary of RMP, Baron N. F. G. Bebr (Behr) and Satwil Investments (Pty) Limited (Satwil), whereby Thesens has acquired:

As a going concern the sawmil business conducted by Behr under the style Kurland Estate Timber.

2.291 hectares of freebold land the major portion of which is under plantations at various stages of afforestation, situated in the Knysna District of the Eastern Cape, from Behr and Satwil The total consideration in respect of the acquisition amounts to R3 411 000 payable in eash.

The above acquisition will complement Thesen's existing operations and in particular will increase its timber resources and production capacity. It is not anticipated that this acquisition will have an immediate effect on RMP's earnings per share and net asset value. The agreement is subject to certain suspensive conditions being fulfilled and ahareholders will be advised by circular at a later date of the final nutcome.

For and on behalf of the Board

G. H. Bulterman ; Directors A. B. Hall

Johannesburg 16 May 1980

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Title

International Heating Ventilating and Air Conditioning Exhibition (021-706 6707)

Self-Service Display Equipment and Shop fitting
Exhibition—SHOPEXINT (04-540 1101)

International Word Processing Exhibition and Wembley Conference Centre
Conference (01-405 6233)

Chelsea Flower Show (01-834 4233)

International Materials Handling (021-705 6707)

Fine Art and Antiques Fair (01-385 1200)

Sunday Times Business to Business Exhibition

(01-407 4046)

June Carpet Fair (01-236 0911) Date Current May 19-23 May 18—22 May 20—23 May 20—23 June 2-7 June 6-14 June 8—11 June 10—12 June Carpet Fair (01-236 0911) Institute of Housing Annual Conference and Exhibition (01-242 3287) June 10-13 Photo-Sound 80 (0232 32830)
International Job Fair — OPPORTUNITIES (021-705 6767)
International Solid Waste Congress and Exhibition June 11—14 June 14—22 June 16-20 (01-580 5324) June 24 Intel, Microcomputer Fair (0793 26101)

OVERSEAS TRADE FAIRS AND EXHIBITIONS

May 19-21 Mint Directors Conference and Exhibition Utrecht (01-486 1951) International Petroleum Exhibition—PETROTECH May 20-23 Amsterdam May 26-30 International Rubber and Plastics Exhibition (021-705 6707) Petrojeum and Marine Environment International May 27-30 June 3—6 Reprographics Exhibition REPROGRAPHICS 86

June 5—9 International Carpet and Floor Coverings

Exhibition (01-439 3964)

June 9—14 BIAM—International Machine Tool Exhibition

June 10—14 Educational Equipment Exhibition—VISODATA (01486 1051) Advanced Communications Exhibition -- EURO Copenhagen June 17-19 COMM 80 (01540 1101)
Solar Energy Exhibition
Wirld Frozen Food Exhibition (01-629 8817) Jnne 19—22 June 23—26 June 23—26 ASEE Educational Resources Exhibition (01-437 Massact 0678)

Motor Show, Components and Accessories Braga. June 28-July 6 ... July 2—6 July 7—11 Audio Visual Exhibition AUVI (021-705 6707)

International Training and Educational Symposium Johanneshurg and Exhibition—INSTRUCTA (01-486 1951) BUSINESS AND MANAGEMENT CONFERENCES

University of Bradford Management: Export Heaten Mount Bradford Current Marketing (Bradford 42299) (nutil May 23)

May 19—20 Robert S. First: Hospital Supplies in Europe Brussels

May 19 International Advertising Association: 27th World Durban

Congress (01-821 0509)

May 20—21 Oyer: IBC Control in Computerised Accounting Into on the Park, WI Systems (01242 2481)

May 20—23 RAI Gebouw B.V.; Second European Petroleum Amsterdam and Gas Conference Underwriting the U.S. Market . Wales International Management Centre: Effective
Strategic Planning (0222 21666)
Scotwork: Managing Negotiations (041-204 2186)
Reinforplast: 1930 Symposium
Calus: The Taxation Implications of Development
Mount Royal Hotel, Wi-May 23 May 27-30 May 27-28 May 28 (0734 861101)
ICHCA: Developing Efficient Cargo Handling Athens May 29-30 Systems for International and Intra-Regional Trade (01-828 3611) Frost and Sullivau: Electronic Mail (01-486 8377) Cumberland Rotel, Wi University of Bradford: Production Scheduling Heaton Mount, Bradford: Workshop (Bradford 491773) FT Conference: World Banking (01-621 1355) Singapore AMR International: U.S. Financial Reporting and Grosvenor House; Hotel, W May 29-30 June 1-6 June 2-3 Grosvenor House, Hotel, Wi Disclosure Requirements for Moltinational Corporations (01-262-2732)

Gower Conferences: Business Strategy for Strong Royal Lancaster Hotel, W2 Jnne 4 Sterling (01-242 9485)

CCC: Company Pension Rights—Consequence of Tara Hotel, Kensington Employee's Changing Jobs (01-222-6362)

AMD: Improving Results through Time Manage-Royal Garden Hotel, W8 ment (07535 56047) June 4 ... June 5-6 ... Brunel University: Experimental methods for Uxbridge management training and development (0895 56461) AMD: Communication and Confidence Development. Glomester Hotel; SW7.

June 13—14 June 13—14 PCL: Technology and Adjustment to Change at Marylebone Road, NW1

Firm Level — German Swedish and UK

property of the proper experience (01-486 5811) June 17-18 ASM: Current Cost Budgetary Control : 01-385 Europa Hotel, W1

Financial Times Conferences

....NATIONAL SUMMER SCHOOL '80—FINANCIAL MANAGEMENT FOR THE

. . NANCIAL EXECUTIVE ... :Con, 14-25 July, 1980

A two-week study course arranged by the Financial Times and the City University, London. Course Chairmen: Mr. K. F. Dibben, Director, K. F. Dibben & Co. Ltd., formerly Director, Hambros Bank Ltd., and Mr. R. S. Harding, Director, Hill Santie. Co Limited

ATTROSPACE INTO THE EIGHTIES AND BEYOND L. Edon. 26, 27 and 28 August, 1980

H. W. Withington, Vice-President, Engineering, Boeing Airplane Company, Mr. ord N. McDonnell, President and Chief Executive Officer, McDonnell Doublas pration: Mr. Robert J. Carlson, President, Pratt & Whitney Aircraft Group, and Carold J. Tobias, President, Sikorsky Aircraft, will be given their views on the pace industry in the next decade. The conference will be arranged by the caroline and the Royal Aeronautical Society.

All equiries should be addressed to: Financial Times Limited Conference Organisation Minster House, Arthur Street London EC4R 9AX

Tel: 01-621 1355 Telex: 27347 FT CONF G Cables: FINCONF LONDON

I ... COMPANY ANNOUNCEMENT

ANGLO AMERICAN COAL CORPORATION LIMITED (AMCOAL) VRYHEID CORONATION LIMITED (VRYHEID)

(Both of which are incorporated in the Republic of South Africa)

The boards of directors of Amcoal and Vryheid announce that they have reached agreement in principle on certain proposals which, if approved by shareholders in Vryheid, will result in the entire issued share capital of Vryheid being owned directly. or indirectly by Amcoal.

In terms of the proposals shareholders in Vryheid other than Amroad and/or the subsidiaries which hold about 66.4 per cent of Vryheid's issued shares will have the choice of receiving:

-a capital payment of 360 cents per share in crash for each Vryheid share held (Alternative A); or

a special dividend payment of 310 cents per share plus a capital payment of 50 cents per share making a total of 360 cents per share in cash for each Vryheid; share beld (Alternative B).

Shareholders who are non-residents of the Republic of South Africa who were registered as such in the register of members of Vryheid on May 19, 1980, may accept Alternative A. or B. Non-resident shareholders who become registered as such after May 19, 1980, may only accept Alternative A. Non-resident shareholders who were beneficial but not registered shareholders of Vryheid on May 19, 1980, wishing to elect Alternative B. are advised to make separate applications to the South African exchange control authorities through their own bankers. Subject to the approval of their applications with the standard of their applications with

Apart from the choice of receiving the above special dividend the Vryheid shares which are the subject of these proposals will not qualify for any dividends from Vryheid in respect of the year ending December 31, 1980.

The acquisition is expected to have marginally beneficial effects on Amonal's carrilogs. and net asset value per share. Full details of the proposals will be circulated to shareholders as soon as possible. Application has been made to the Johannesburg Stock Exchange to reinstate the Lo of Vryheid's shares with effect from Tuesday, May 20, 1980.

Johannesburg May 19, 1980

هكذامن الدعيل

Financial Times Monday May 19 1950

WEEK'S FINANCIAL DIARY INSURANCE erthorne
erthorne
inds.
Olviorne
inds.
Olviorne
Mortgage
Corp.
SpcDb.

ler (Stanley) 0.60 lele of Wight D.Sp 7cts. 128c 2003-05 64pc. 03-05 A £3.2776 URSDAY, MAY 22 Y MEETINGS.— Waldorf negement resum-iels (Reo.) Orga-OHVIDENO & INTEREST PAYMENTS-roleys Bank 10,25p axer (C. N.) 2.2n axer (Sterling) Fund Ptg.Red.Pt.

Scotten Inv. Tet.
DIVIDEND & INTEREST PAYMENTS—
BESSEN 2-750
Virion 2-750
Virion 2-750
Virion Son 2-750
Viri

checker 131-pc 1983 £3.9100. 1885 Sipc. 1885 Sipc. 1985 Sipc. 1985 Sipc. Red. 1978-80 23pc. 140c 1984 £5.1014. Do. 1983 £3.9186. Do. 12 pc Hertiorishire Stroc Red. 197 Jacks (William) 0.70 Jardine Japan Inv. Tet. 1.80 Jersey Electricity A Ord. 80 Kalamasoo 1.259 Lyon 6.1.70h 4.50 Ofree 3p Philips Lamps N.V. Fl.7.2 Philips Lamps N.V. Fl.7.2 Rockware 4.320 Shell Transport & Trading Do. (Br.) 11.5330 Spirax-Shree Engine. 40

Accomments Hall, Moorgate Place 11.00 indide. 10, Stratton St. W., 12.30 BOARD MEETINGS— Finals:

inv. Tet. END & INTEREST PAYMENTS ated Engine - nert Tet 4p os. & Cloud Hill Lime Works 5p h Mohetr Spinners 2,81110 ass Products Ord. & A Ord. 1o inpseats 1.5p hambers 8 Fargus 0.25o Hiffords Dairies Ord. 8 A 2.2p iaton Corp. 43cts. Exchequer 124pc 1981 Sept Expended Metal 2.5p

New home in country for insurance college

BY OUR INSURANCE CORRESPONDENT

president. suburban residence at Surbiton, visitors is now in progress. Towards the end of the 1970s, Churchill Court can accommo-the CII began looking for a date some 75 students—though

Churchill Court, built in 1926, ments. and used since the war by the Royal British Legion as a convalescent home, was the CH's well as the principal, and there choics, though the bouse and are also one or two unfilled bridge Wells.

managerial tuition for insurance adequate notice.

LAST TUESDAY the Chartered men and women who have a Insurance Institute's relocated good grounding in insurance, College of Insurance at both in practice and in profes-Churchill Court, Sevenoaks, was sional examinations. Over 100 officially opened by the institute courses a year are now organised, lasting from a few The college was established in days to three weks. Many attract 1957 and until the end of last everseas visitors; exceptionally, year flourished in a large former a six-week course for oversea

larger, potentially residential normally the principal is less and, preferably, semi-country ambtious. There are lecture and Home Counties seat with reason-syndicate rooms enough, and ably quick access to the City of well organised kitchen facilities for mid-day meals and refresh

outbuildings are at present in- vacancies. But the college does adequate for the desired resipot teach solely through its per
dential accommodation, and manent staff; the principal bas students who cannot commute a panel of expert insurance prac-daily to the college bave to be tioners on whom he calls, to boarded out—usually at Tun-supply detailed instruction on current markst problems and The college once concentrated attitudes, and be is always bappy on introductory courses. Over to have new volunteers who can the years the emphasis bas make available balf-days or shifted, mostly to technical and days, subject of course to

Building equipment group to spend £6.75m

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

J. I. CASE, the American \$12.8m in the region, making it under construction at Redruth, Cornwall, will be £6.75m.

It is expected that the plant will start production in the middle of next year, when it factory reaches its maximum

It will produce 500 units a year in the early stages, which could double within a period of five years. The plant will export

of Temeco, Case's parent com-

Photax (London) Ord. 2p
Rotark 1p
Royal-Bank of Canada SOCts.
Rayal-Insurance Ord. Uaits 43.250
Sunbeam Wolsey 3p. Do. BocPi. 2.5pc.
Tilling (Thomes) 4p.
Trassmy 133pc 1993 67apc.
Unicore. Inds. 4.54p
Utico Ord. 6 Drd. 14.5cts.
Do. Ord. 6 Drd. 2.3cts.
Zentit Carburetter A (Reg.) 1.75p. Do.
6fr.) 1.75p.

owned construction equipment one of the more successful group, has announced that total multi-national producers of connvestment at its new plant struction equipment in Europe.

About two-thirds of Case's output is in construction equipment and one-third agricultural equipment. It claims to be the world leader in backhoe loaders, will employ 200, which could and specialises in the small to go up to ahout 500 when the medium-sized equipment which is particularly suited to Euro-

potential.

Case says that the plant is being built "to meet increasing tion of a 40 per cent stake in demand for our range of contemporary the french Pocketn group has been a big factor enabling it to many of its European objectives ahead of schedule." Poclain, the world leader in

hydraulic excavators, made a profit of \$20m last year. In 1977 it bad made a loss of \$40m. Over a high percentage of its produc-tion, and will complement the past year, Case has rorgen-clase's factory in France which makes the backhoe loader, and marketing and distribution of its products in certain European

Case's new factory at Redruth pany, said recently that Case will bring in engines from David sales in Europe last year Brown in the U.K., also part of totalled \$415m. The company's the Tenneco group, and transtrading profit amounted to missions will be brought in from

Diesel also reported that Case which formed a joint venture with the Cummins Engines group last year for the development of a new small diesel engine, is looking for a new site. than balf of the output of the engine in the early years. The wenture represents Cummins's entry into the manufacture of this size of engine.

ed Office: Rue do la Chamoellerie, 1-1000 Brussels. Trado Register No. 13377 Brussels—VAT Not 102935129. and Statutes have been published in the annexes of the "Monateur Belge" on March 23, 1968 and April 4, 1968

ASSETS	31.1	2.79	37.7	2.78	LIABILITIES	31,1	(2.79	31.1	2.78
H. Frond seeds A. Land and buildings G. Furniture, volicies and sundries	51,416				L Capital A. Issued Capital		2,000,000		8,000
C. Furniture, vehicles and smaking. F. Other Gred assess.	12,799		5,285 14,985 5,053		A. Issued Capital	-	-1	300,000	
	4,507	59,522	5,053	- 75.384	A. Logal recover not subject to text [53,830 53,830		49,307 11,538,953	
V. Long-term investments 1° Shares and other portfolio		CE ,122,		13,000	A. Logal reserves not subject to tamp? C. Capital reserves not subject to tamp? D. Reserve available for distribution.	11,536,653		11,130,053	(2.30)
arenatanenta.					IV. Profit carded forward		12,390,742 50,535		12,300
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Group companies Equivalent companies Other associated companies	7,750,257		T,364,703		VIII. Long-term peyables (longer than one	yem)	304301		-
2. Other associated common less	2,198,844		3,129,646		A. Subordicated loan		13,394		*
	11,227,528		11,070,571		2. Non convertible IX. Short-term payables (one year and les	SS)			_
ff. Shares in other companies with which there is a					C. Payables arising from goods	36,417		24,519	
eterateleine link	902,521		\$75,382		D. Tax debis and provisions,	183.327		270,054	
C. Other portfolio inresiments 1. Shares	75,600		76,150		And safety and provisions, D. Tax douts and provisions, social sociaty, salaries and wages F. Other leans and communicas G. Other payables			5,859 937,707	
Constant land beauty		12,212,938		12,122,192	G. Cities pagagies.	\$19,781	1,109,535		1.15
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2. From group companies			-	• .	-				
3. Prote other associated combanies	1,341		35,36						
or Trockoom anderson companie	143,254		* 211,230						
B. Receivables from other compenies with which there is a	140,254		211,230						٠,
shereholding link	27,270		83,441		·				
C. Other receivable depositis:	1,566		1,949						
		222,450		295,628					
Long-term receivables (longer than one year) B. Other receivables		4							
B. Other receivables		182,429		225,030					
Stocks E. Metals and other products E. Metals and other products C. Short-term receivables (one year and is		419,435		1,240,210					
	-				•				
B. Other receivables 2. Other debiors	m0,00m		m,tor						
2. Other debiors	5,321,212		4,847,821						
Short-face deposits Cash		5,381,307 4,25 (787		4,070,128					
. Regulacisation accornés		187,000		340,878					
100	ried	22,000,766		22,742,863		fotal	93,080,195		23,2
EXPENSES			1979		ACCOUNT (in thousands BF)			1979	7
The Parker & A.				1978	REVENUE g secount			1979	16
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Goods, raw materials, consumable mater			1979 	1978 I. Tradin 40,700 501,370 + 20,574	REVENUE g account	d geods surp	and	2,713,496	1,18
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LONDON 14-25 JULY 1980

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Financial Management for the Non-Financial Executive

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1980 News Bulletin No3 Notice of General Meetings

Notice is hereby given that the Annual General Meeting of Compagnie de Saint-Gobain-Pont-à-Mousson will be held on Wednesday, June 11, 1980, at 10.00 a.m. in the Centre International de Paris, Palais des Congrès, Porte Maillot, 75017 Paris, for the following purposes:

Shareholders will be asked to receive the Directors' report and to approve the holding company's financial statements and the Auditors' report for the 1979 financial year. Including retained earnings and net income for 1979, the meeting must decide on the appropriation of FF666.8 million. The meeting will be asked to approve the following appropriations:

- distribution to shareholders by way of dividend of FF370.7 million;
- appropriation of the remainder to retained earnings, which will thus

FF5.35 for those entitled thereto, corresponds to a total revenue, including the tax credit, of FF16.05 per share.

Shareholders will be asked to approve the Directors' decision of October 18, 1979, to transfer the Company's corporate headquarters from 54 avenue Hoche, 75008 Paris, to 62 boulevard Victor Hugo, 92209 Neuilly-sur-Seine. Shareholders will further be asked to re-elect Mr. Maurice Grendpierre to the Board of Directors for a term of office which shall expire with the meeting which receives the accounts for 1985. Finally, shareholders will be asked to approve the re-election of the Company's statutory auditors.

The meeting will be followed by an Extraordinary General Meeting which will be asked to renew the authorisation given to the Board of Directors in 1979 to issue, at such times as the Directors may deem it appropriate, in France or abroad, convertible bonds up to a total nominal value of 900 million francs. Shareholders will also be asked to renounce, in respect of any such possible issue, their pre-emptive rights to subscribe to the bonds, although it shall be provided that shareholders will have priority to subscribe to any such issues as may be made in France.

Those shareholders wishing to attend the meetings or to be represented there must deposit their shares at least five days before the date of the meetings at the Company's transfer office (62 boulevard Victor Hugo, 92209 Neuilly-sur-Seine, France; Telephone (1) 637 10 00; Telex 620585 Gobain); or with a bank or brokerage house and request an admission card. Shareholders in the United Kingdom may deposit their shares with Baring Brothers & Co., Limited, 88 Leadenhall Street, London EC3A3DT.

Compagnie de Saint-Gobain-Pont-à-Mousson, 62 boulevard Victor Hugo, 92209 Neuilly-sur-Seinz Cedex.

amount to FF296 million. This dividend, which is applicable to coupon No. 38, will be payable from July 3, 1980, on 34,650,000 shares. The net dividend proposed will thus amount to FF10.70 per share, which, including a tax credit ('avoir fiscal') of

This document includes particulars given in compliance with the Regulations of the Council of The Stock Exchange for the purpose of giving information with regard to Oakwood Group Limited ("Oakwood"). The Directors have taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts the omission of which would me misleading any statement berein whether of fact or of opinion. All the Directors accept responsibility accordingly-Copies of these particulars, having attached thereto the documents referred to below, have been delivered to the Registrar of Companies for registration.

Application has been made to the Council of The Stock Exchange for the whole of the issued Ordinary share capital of Oakwood to be admitted to the Official List.



OAKWOOD GROUP LIMITED



(Incorporated in England under the Companies Act 1948. No. 808514)

These particulars are issued in connection with a placing by CAPEL-CURE MYERS LIMITED of 500,000 Ordinary shares of 25p each at 83p per share.

SHARE CAPITAL .

Authorised

Issued and **Fully Paid** 2500,000

£650,000 in 2,600,000 Ordinary shares of 25p each....

At-the close of business on 2nd May, 1980, Oakwood and its subsidiaries had outstanding bank overdrafts and letters of credit of £468,741 secured by a mortgage on a property of Oakwood and fixed and floating charges from Clough Smith Limited and Frank Love Limited. At the same date Oakwood and its subsidiaries had bank credit balances of £209,125. Save as aforesaid and apart from inter-company liabilities neither Oakwood nor any of its subsidiaries had outstanding on 2nd May, 1980 any mortgages, charges or debentures, any loan capital issued or created but unissued or any other borrowings or indebtedness in the nature of borrowing, including bank overdrafts, liabilities under acceptances (other than

DIRECTORS:

EDWARD DILLINGHAM CHAMBERS, F.C.A. (Chairman and Managing Director). Clough Smith House. Stephenson Way. Crawley, West Sussex RH10 1NN. GERALD FRANK MANN, F.C.A.

45/47 Westminster Bridge Road. London SEI 7JA. GEOFFREY ALAN COLESHILL.

Clough Smith House, Stephenson Way, Crawley, West Sussex RH10 1NN.

SECRETARY AND REGISTERED OFFICE:

DAVID JOHN COKER, F.C.1.S., M.B.1.M., Clough Smith House. Stephenson Way. Crawley, West Sussex RH10 1NN.

NATIONAL WESTMINSTER BANK LIMITED, 2 St. Alphage Highwalk, London Wall,

normal trade bills) or acceptance credits, hire purchase commitments or guarantees or other material contingent liabilities.

SOLICITORS TO THE PLACING AND JOINT SOLICITORS TO THE COMPANY: TRAVERS SMITH, BRAITHWAITE & CO., 6 Snow Hill, London ECIA 2AL.

JOINT SOLICITORS TO THE COMPANY:

STEGGLES PALMER, 2 Bedford Row. London WC1R 4BU.

London EC3A 9BJ.

NATIONAL WESTMINSTER BANK LIMITED, P.O. Box 82, 37 Broad Street

REGISTRARS AND TRANSFER OFFICE:

and at The Stock Exchange.

AUDITORS AND REPORTING ACCOUNTANTS:

Bristol BS99 7NH.

Oakwood is a bolding company with two operating subsidiaries. Clough Smith Limited ("Clough Smith") and Frank Love Limited ("Frank Love"), principally engaged in civil and electrical engineering and the wholesale distribution of water fittings, sanitaryware and associated products respectively. The Ordinary share capital of Clough Smith is 88.8 per cent owned by Oakwood. Frank Love being a wholly-owned subsidiary. Oakwood was incorporated on 10th June, 1964 but did not operate until 1st January, 1972 when it acquired Lombard Holdings Limited and its subsidiaries, including Clough Smith and Frank Love. from Lombard North Central Limited. Certain of the subsidiaries have been sold, leaving Oakwood with its two operating subsidiaries and certain other subsidiaries which are no longer trading.

History and Business

Clough Smith was incorporated on 15th June, 1910 and now provides a comprehensive. service covering a wide variety of electrical and associated civil engineering work including overhead transmission lines, wood note and underground cable distribution systems, the installation of railway cable routes and associated cable laying in conjunction with substantial resignalling and telecommunication schemes, communication structures, street lighting, internal and external floodlighong systems and airport runway and approach lighting systems.

In the early years the main activity was the conversion of tramways from rail to overhead power supply and this later led to contracts for the installation of trolley hus systems after the First World War. Trenching and cable laying work was first undertaken in the 1920s for tramway companies when new regulations required rail earths to be buried. Cable laying techniques were further developed in the 1930s and during this period Clough Smith carried out an increasing amount of this work for the G.P.O.

During the Second World War business was concentrated on power distribution schemes for R.A.F. stations and electrical systems in ordnance factories. Since then Clough Simili has been involved in the development of large scale distribution schemes for Area Electricity Boards and the Central Electricity Generating Board and for electricity authorioes in East Africa, the Middle East and the Far East. Amongst these were the extensive electrification of the island of Bali and a 46 kilometre double circuit transmission line in Jordan. Other notable overseas contracts bave included cabling and electrical installations for hydroelectricity projects. Clough Smith has also been involved with the modernisation of railway signalling systems, the erection of television and microwave masts and the development and maintenance of electrical installations at military establishments and docks.

Clough Smith was one of the pioneers of airport runway lighting systems beginning with Manchester Airport in 1938 and has recently been responsible for installations at Glasgow Airport and various military establishments.

In 1978 Clough Smith was awarded a £4.3 million contract in Kenya for the design. supply and installation of switchgear, transformers and cabling and 50 kilometres of overhead transmission lines as part of a hydro-electric and irrigation scheme which is due to be completed in 1981. The Company has won a further contract in Kenya valued at £500,000 to dismantle and re-assemble a transmission line.

Clough Smith's employees include specialists such as electricians, cable jointers, linesmen and steel erectors supplemented as necessary by specialist sub-contractors.

The split of turnover between bome and overseas customers and between the types of work undertaken differs from year to year. The three main areas of the Company's present activities are overhead transmission lines, cabling and electrical distribution systems and railway cabling work. Contracts are generally obtained by open tender and projects in hand currently include those in Kenya referred to above, calling and distribution contracts for various Electricity Boards and other public undertakings in the United Kingdom and work on the Victoria re-signalling scheme for Briosh Rail.

Currently the Company bas an order book of some £h:7 million which includes an estimated amount of \$2.3 million in respect of contracts for varying periods with Electricity Boards and other public undertakings. All contracts for which the programme of works extends for longer than 12 months include inflation clauses. The Directors consider this order book to be at a satisfactory level.

Frank Love is one of the company's largest stockists and distributors of water fittings and sanitaryware 10 builders' merchants and other retail outlets.

The husiness was founded in 1908 by Mr. Frank Love as a wholesaler of plumbers' brassfoundry and associated fittings which were supplied to builders' merchants and ironmongers from a warehouse in Southwark, London. By 1922 the husiness had expanded into additional premises at Bermondsey and a catalogue was introduced which became a handbook in the trade. It was decided to centralise the business in 1930 with a move to premises in Great Guildford Street. Southwark, and when these were destroyed in 1940, the newly-formed Company acquired the husiness and leased premises at nearby Westminster Bridge Road. The freehold of the property was later purchased and the premises are still occupied by

In September, 1976 Frank Love opened a modern depot in Bristol of 5,000 sq. ft. which was used mainly to distribute baths and sanitaryware. Due to a rapid increase in turnover the depot was moved 10 a larger leasehold warehouse in Bristol with storage space extending to 14,500 sq. ft. which became operational in May, 1978.

The Company stocks a comprehensive range of non-ferrous and plastic water fittings sanitaryware for supply to hudders' merchants, do-it-yourself outlets and selected heating engineers. The success of the husiness is based on the provision of a good customer service by supplying from stock a wide range of products with prompt delivery. There are approximately 2500 regular customers and each of the three largest customers accounted for less than 5 per cent of turnover in the last financial year. The range of products covers fittings for copper and plastic tube, plumbers' brassfoundry including stopcocks, gate valves and chromium-plated taps and mixing valves, plastic and chromium-plated waste fittings, cisterns, copper and plastic tube, closes seats and accessories.

Frank Love also supplies a leading range of complete bathroom suites, separate shower units and imported pressed steel enamel-finished baths and since September, 1979 has been distributing kitchen furniture. The Company has continually up-dated its stock lines to meet the changing requirements of customers, and in consequence the number of lines has approximately doubled to 7.000 over the last 10 years and the value of sales has quadrupled in that period. A number of alternative sources of supply exist for all the major product lines sold by Frank Love although in the last financial year three suppliers were responsible for supplies leading to approximately 65 per cent of all sales. The Company has not experienced any major disruption to supplies.

Sales representatives cover each of seven regions together comprising England and Wales south of the Humber, the Isle of Man and the Channel Islands. Both the London and Bristol depots operate their own distribution service for deliveries to customers within their area while goods for customers further afield are delivered by carrier.

Sales of standard products are assisted by the Company's extensive catalogue, a new edition of which is about to be published. Bathroom suites, shower units and kitchen furniture are sold through promodonal material supplied by the manufacturers.

Negotiations are at present at an advanced stage for the lease of a new warehouse of 5,000 sq. ft. at Camberwell within 2 miles of the Head Office. This will be used for the distribution of baths, sanitaryware and kitchen furniture, and will extend the range of products and service available to customers in London and the Home Counties.

MANAGEMENT AND STAFF

Particulars of the Directors of Oakwood and the two operating subsidiaries are set out below:-

Mr. E. D. Chambers, F.C.A., aged 46, is Chairman and Managing Director of Oakwood having been a Director since 1972. He first became a Director of the two operating subsidiaries 12 years ago to represent the interests of the Lombard Banking Group and shortly before the acquisition by Oakwood in 1972 of Lombard Holdings Limited became Chairman of Clough Smith. Since 1978 he has been executive Chairman and Managing Director of Clough Smith. and Chairman of Frank Love with overall responsibility for the group. He has a service contract with Oakwood for a minimum period of five years from 1st April, 1980 which is referred to in paragraph 6 below.

Mr. G. F. Mann, F.C.A., aged 48, joined Frank Love in 1959. He became a Director of that Company in 1962 and has been Joint Managing Director since 1968 with responsibility principally for finance and administration matters. He was appointed a Director of Oakwood in 1980. He has a service contract with Oakwood for a minimum period of four years from 1st April, 1980 which is referred to in paragraph 6 below.

Mr. G. A. Coleshill, aged 51, joined Clough Smith 25 years ago. He became a Director in 1972 and Deputy Managing Director in 1976. His main responsibility is for all U.K. cabling

and distribution contracts. He was appointed a Director of Oakwood in 1980. He has a service contract with Oakwood for a minimum period of four years from 1st April, 1980 which is referred to in paragraph 6 below.

Clough Smith

In addition to Mr. Chambers and Mr. Coleshill the following are Directors of Clough

Mr. G. F. Henley, aged 65, who joined the Company 25 years ago and introduced transmission line work as an extension to its activities. He was appointed Technical Director in 1976 and his responsibilities include design work and customer liaison on technical matters. In 1979 he was appointed Chairman of the Overbead Transmission Line Contractors

Mr. J. J. Forrestal, aged 46, who joined the Company in 1976 as Overseas Director, having bad many years experience in the electrical contracting industry both in the U.K. and overseas. His main responsibility is for the administration and extension of the Company's

Mr. D. J. Coker, F.C.I.S., M.B.I.M., aged 34, who joined the Company in 1976 as Company Secretary having previously served as assistant group secretary to a listed company. He was appointed a Director in 1977 and is responsible for all administrative matters. He was appointed Secretary of Oakwood in 1980.

-Mr. A. P. Marshall, aged 39, who joined the Company in 1965 and was appointed a Director in 1979. He is now responsible for the U.K. Transmission Line Division and Plant and Transport Department.

In addition to Mr. Chambers and Mr. G. F. Mann the following are Directors of Frank Mr. J. G. Marin, F.C.I.S., aged 55, who joined the Company some 30 years ago and

worked in most departments before being appointed a Director in 1965. He has heen Joint Managing Director since 1968. He has a service contract with Frank Love for a minimum period of four years from 1st April, 1980 which is referred to in paragraph 6 below. Mr. R. C. Jones, F.C.A., aged 64, who has been a Non-Executive Director since 1972. Prior to this he had been the group accountant of Lombard Holdings Limited from 1968.

Senior Management Clough Smith Years Service S. G. Parker Frank Love R. W. Byer, F.C.I.S., M.B.I.M. L. H. Chamberlain Sales & Merketing Manage London Warehouse Manage Bristol Warehouse Manager . J. Craner

The total number of full-time employees of the Group is approximately 330. There is a Group pension scheme.

The Group's principal premises are detailed below:-

Description and usage der, 1975 iquarters and storage Leasehold — 98 years Book value represe facilities comprising single storey offices 15.015 sq. ft.1 from 24th June, 1955 et e volociico ej 31s) Decamber, 1979 by Philip Jomes

ground ren) of £240 a.a. and stores (2,720 sq. lt.) with Boundary Estate Stafford Road, tacilities for Northern region comprising single storey offices (approx.:3,000 sq. h.) and

Warehouse end distribution depot (approx. 14,500 sq. ft.)

end occurrences depot comprising 4 storey office and warshouse premises, with a single storing watehouse at

45/47 Wester

Lessehold — 25 years from 25th December, 1977 at a 25th December, 1977 at a real of £19,135 m.s. subject

The valuation for New XL House at 45/47 Westminster Bridge Road, London SE1 71A carried out at 21st March, 1977 was on the basis of the Group disposing of its freehold interest conditionally upon it taking a least of the completed building, following redevelopment, upon normal full repairing lease terms at market rental. The valuation carried out on 2nd April, 1980 was on the basis of a sale in the open market with vacat possession and with the benefit of existing planning permission for office purposes. A valuation of the premises by G. L. Hearn & Partners as at 2nd April, 1980 on the basis of open market value for existing use purpose

SPICER AND PEGLER, Chartered Accountants, St. Mary Axe House, 56-60 St. Mary Axe

CAPEL-CURE MYERS LIMITED, Bath House, Holborn Viaduct, London ECIA-2EU

All other professional valuations represent open market value on an existing use basis. An additional property comprising a residential house was held by Oakwood at 30th September, 1979 at a book value of £96,000; representing open market valuation of £95,000 at 16th November, 1978 by Philip James Associates, plus subsequent cost. On 21st March 1980 Ibbett, Mosely, Card & Co., Chartered Surveyors, expressed their opinion that the market value of the property was £160,000 and contracts have been exchanged for the purchase of the property by Mr. Chambers and his wife at this valuation. Details are set out in Contract No. (iii)

Clough Smith has planning consent in respect of its premises at Crawley for the erection of an office block of 6,400 sq. ft. Frank Love has outline planning consent for the re-development of the site of New XI. House as a 22,000 sq. ft. office block. The Directors consider that there are potential benefits to the Group to be derived from the development of these properties and will exploit the planning consents when appropriate. Note of the foregoing valuations reflect the cost of any land tax or capital gains tax which might arise on redevelopment or on disposal. No development would be undertaken without further finance being obtained.

The Directors are of the opinion that, taking into account available bank facilities, wood and its subsidiaries have sufficient working capital for their present requirement

The Accountants' Report set out below shows that the consolidated shareholders' funds of Oakwood at 30th September, 1979, as adjusted, amount to £2,144,000. This is equivalent to 107p for each of the 2,000,000 Ordinary shares of 25p presently in issue.

PROFITS AND PROFIT FORECAST

The turnover and profits for the five financial years ended 30th September, 1979 are set out in the Accountants' Report below. Except for 1978, when contracts undertaken by Clough Smith in the Orkney and Shetland Islands were adversely affected by weather conditions and operational difficulties, profits before taxation have increased each year over the period.

In the absence of unforeseen circumstances, the Directors forecast profits of the Group before taxadon, extraordinary items and minority interests, for the year ending 30th September, 1980 amounding to not less than £700,000 of which it is expected that Clough Smith will provide approximately 65% and Frank Love the balance. This forecast is based on the manufited management accounts for the six months ended 31st March, 1980 and, for the remaining six months, on the following assumptions:-

(a) sales by Frank Love in the six months to 30th September, 1980 will result in an

increase in turnover for the year of 15% compared with the previous year: (b) work done by Clough Smith on existing contracts in the six months period will proceed in accordance with agreed current contractual programmes;

(c) gross margins achieved will be in line with recent experience; (d) trading will not be adversely affected by disruption in supplies of goods for resale, or

of goods and services utilised in contracting activies; (e) interest and exchange rates will not materially change.

DIVIDENDS AND DIVIDEND COVER

On the basis of the Director's forecast of profits for the year ending 30th September, 1980 it is intended to recommend for payment in or about February, 1981 a dividend of 4.5p net per share twhich together with the related tax credit of 30% is equivalent to a 6.43p per share). This will be the first dividend payable by Oakwood after its admission to the Official List.

Waivers have been received from holders of approximately 70% of the issued share

capital in respect of three-quarters of the first proposed dividend payable on their shares. In respect of a full year in which a similar level of profit was earned the Directors would expect to recommend dividends totalling 6.5p net per share 19.29p with related tax credit of 30%. It is intended in future years to pay an interim dividend in or about August and a final dividend in or about February.

The following table sets out, by way of illustration only, how a profit before taxation of £700,000 would be appropriated assuming Corporation Tax at the rate of 52% and no dividend

Profit before taxation Less: Taxation 364,000 Profit after taxation 336,000 Less: Minority interests 27,000 309,000 Less: Dividend of 6.5p per share 130,000 179,000 On the above hasis the gross dividend yield on the Ordinary shares at the placing price of

83p per share would be 11.2% and the price/earnings multiple would be 5.3.

Clough Smith

and Valuers.

Book value res

valsation et 1st

December, 1979 by G. L. Hesrn &

ination at 21st

Hoarn & Partners.

Merch, 1877 by G. L.

The Company seeks to promote its business in the present areas of activity, particularly in relation to military establishments and railways where it foresees a material increase in turnover. In addition, a broadening of its customer base for electrical cabling works within the private sector is being actively pursued particularly in the oil industry. A selective approach is adopted to overseas work where the Third World presents a substantial potential market for the Company's services and expertise. Frank Love

The Company's range of products is supplied for use in new building work, central heating installations, maintenance and the expanding home improvement and do it yourself markets. It is the object of the Company to continue to improve its service and broaden the range of products supplied, thereby increasing its market. In addition to the proposed acquisioon of the new Camberwell depot it is the intention of Frank Love to establish further depots. This would give the Company national coverage and the ability to reach more customers by virtue of the speedy delivery service on which its continuing success depends.

With its strong asset base, the group is well placed to expand its presentactivities and to make future acquisitions as suitable opportunides arise.

فكنامن الثميل

St. Mary Axe House, 56-60 St. Mary Axe, The Directors London EC3A 8RI pel-Cure Myors Limited. . 16th May, 1980

We have examined the sudited accounts of Oakwood Group Limited ("Oakwood") and its subsidiaries otively "the Group") for the five years ended 30th September, 1979.

Oakwood has the lollowing trading subsidiary companies:

Clough Smith Limited

Frank Love Limited.

"Frank Love" Clough Smith is engaged in civil and electrical cogineering and Frank Love in the wholesale distribu water fittings and sanitaryware.

As at the commencement of the period covered by this report, the ordinary share capital of Clough Smith was 79.5%, owned by Oakwood. This interest was increased to 88.1% in 1977 by the acquisition of further shares for cash and to 88.8% on 16th May, 1930 by the acquisition of 1,000 further shares in exchange for shares in Oakwood. On the same date Frank Love became u wholly-owned subsidiary by means of a share exchange. For the purposes of this report, the financial statements set out below show, for the relevant periods and dates, the results and financial position of the business carried on by the Group on the basis that Frank Love was shelly-owned throughout.

Chantrey, Button & Co., Chartered Accountants, were enditors of Frank Love for all relevant periods. Hays Allan, Chartered Accountants, and Hartley, Fowler & Co., Chartered Accountants, were auditors of all other group companies for, respectively, the two years ended 30th September, 1976 and the three years ended 30th September, 1979. Spicer and Pegler were appointed auditors of Oakwood and joint auditors of the iaries in April 1980.

The summarised consolidated profit and loss accounts and balance sheets set out below are based on the andited accounts after making such adjustments as we consider appropriate, and have been prepared andur the listorical cost convention modified by the inclusion of freehold and long leasehold properties at valuation. In other

Instorical cost convention modified by the inclusion of freehold and long leasehold properties at valuation. In our opinion these summaries together with the notes thereon give, under the convention stated above and for the purposes of the listing particulars dated 16th May, 1980, a true and fair view of the profits of the Group for the five years ended 30th September, 1979 and the state of affairs of Oakwood and of the Group as ut the dates stated. During March, 1980, Statement of Standard Accounting Practice Number 16 was issued by the Institute of Chartered Accountmus in England and Wales to provide for the inclusion of current cost information in annual financial statements relating to accounting periods commencing on or after 1st January, 1980. The Directors of Oakwood have considered this standard. However they have not concluded upon the most appropriate method of its implementation for the five year period covered by this report, particularly in connection with the possible adjustments which may arise in respect of certain categories of the Group's business, namely contracts spanning of its implementation for the five year period covered by this report, particularly in connection with the possible adjustments which may arise in respect of certain categories of the Group's business, namely contracts spunning two or more eccounting periods undertaken in a variety of overseas territories. These contracts are, in any event, covered by inflation clauses. Accordingly, no supplementary current cost figures for the period under review have been calculated for the purposes of this report.

1. Accounting Policies

The financial information in respect of earlier years has been restated where relevant and necessary in accordance with the principal accounting policies currently employed by the Group set out below.

Depreciation

1i) Depreciation is not provided on freehold and long leasehold hulldings; if such depreciation had been provided, the Directors estimate that a charge of no more than £8,000 would have been required in any onn year. In these circumstances, the Directors do not consider the effect of this non-compliance with Statement of Standard Accounting Practice Number 12 to be material in the context of the profits or net assets of the Group in the period under review.

(ii) Short leaseholds are amortised over the unexpired period of the lesse.

(iii) Depreciation of other fixed assets is provided to write off their cost on a straight line basis over their estimated usoful lives at the following rates:

Motor vehicles and plant—between 15 per cent. and 23/1 per cent.

Fixtures and equipment—between 10 per cent. and 20 per cent.

Fixtures and equipment - between 10 per cent. and 20 per cent (b) Stocks and work in progress
(i) Stocks are valued at the lower of cost and estimated net realisable value.

 (i) Stocks are valued at the lower of cost and estimated net realisable value.
 (ii) Work in progress co uncompleted contracts at the year end is valued at the cost of materials, labour and attributable overheads. It includes a proportion of profits appropriate to the stage of completion less provision for anticipated losses, and is stated after deducting amounts invoiced. foreseeable losses are provided in full as soon as they are identified til the Directors consider that the stage of completion enables the are not anticipated until the Dire profit to be reasonably foreseen.

Deferred taxation

Provision is made at the current rate of 52 per cent, for the liability to corporation tax which may arise in the foresceable future on the following:

(i) the excess of allowances for taxation purposes over depreciation charged in the accounts.

(ii) stock appreciation relief except in Frank Love where, in the opinion of the Directors, no liability

will urise in the foreseeable future.

No provision is made for chargeable gains which would arise were the freshold and long leasehold properties to be sold at their revalued figures and were roll-over relief not then uvailable.

Funcign Currency

Assets and liabilities overseas are translated into sterling at the rates of exchange ruling at the balance sheet date.

ary of this adjusted profit and loss accounts of the Group for the five years ended 30th September, 1979 is set out below: -

			faqıs əndə	d 30th Sup	tember	
and the second s	Note	1975 .	1978	1977 : - £000 -	1878	1976
Turnover	(i)			_ 2000		
Civil and electrical engineering Wholesale distribution of water fittings and	μ,	3,609	4,354	3,797	3,315	4,872
saniterywara		1,484	1,669	2,270	2,969	3,745
Total tumover		- 5,273	6,240	8,067	6,281	8,717
Profit before texation	(ii) · ·	 .			_	_
Civil and electrical engineering Wholesale distribution of water fittings and		(32)	136	188	. 24	276
senitarywara		94	, 124	127	164	228
		62	. 260	316	166	505
Texation	Tin)	(35)	(89)	(150)	46	(257
Profit after rexistion Minority interests		27.	171	157	233 (2)	248 [17]
Profit before extraordinary items Extraordinary items	(iv)	29 13	180 (13)	148 (7)	231 (15)	231 3
Retained profit		. 42 ·	_ 147	139	218	, 234
Earologa per abero	(4)	1.4p	8.0p	7.3p	11.5p	11.5p
Operating results before takention per share	(A)	3.2p	12.2p	14.7p.	6.2p	23.7p
Notes (i) The temover figures stated show represent the	intlaminas —		• • •	• , •		
(c) Indicatory against statute above topresses the fig. (c) Civil and electrical angineering — involved as (b) Wholesels distribution of weter fittings and that and credits.	lus adjusted b	work in pro - sales of goo	eress. ds to third	perties ex	loding velo	n edded
(II) Profit before taxation is arrived at after charging	and credition	the following	Items: -			
hat a tour netern ermeride in mitten er niret erier Bant	and an outling	and justices,	lears ande	i 30th Sep	tember	

	Mate	·. 1976	1979		tember 1976	1879
Hereciation and amortisation Hire of plant and machinery Directors' employments Interest paid Interest received	Note -	6(127 13 44	66 155 13 43	62 77 15 42	66 117 15 37 (42)	115 217 25 75 (15
(iii) Taxation Current taxation Transfer to/tiron) deterred taxation		50 (16)	1S 74	90 89	(54) 6	· 7!
		35	88	158	(45)	257
deferred texaction is provided in respect of stock app ink Love. The amount by which the tex charge was in co each period was:	reciation relief for passquence reduced		49		150	
Extreordinary items comprise: Nit on sale of copper wire hers plus on sale of treabeld property vision for legal costs in connection with abortive sale	of treehold propert	, =	<u>8</u> (6)	 	_ _ _ (15)	9 (5
rakus arising from (amounts written off) lavestment in a associated companies	subsidiory and	18	· (14).	··	<u> </u>	<u>·</u>

Expling her where are calculated on the profit efter off charges including texation and minority interests but before extraordinary items for each period based on the obser capital of 2,000,000 Ordinary 25p shares in issue as at the date of this report.
(vi) Operating results below taxation per share

3. Balance	Sheets mmory of the adjusted belonce she			nt datas -	nd of Onbor	and at 10th	Cantonia	n 1070 i
et out belo		sers at the other	ar ma rema	ur aaras a	MR (1) CHICAL	900 ET 9001	Septomb	. 10/01
Onkwood				- :	. The Gr			٠.
30th Septen	noer	·			30th Say			
1979			1974	1975	-1975 £00	1977-	1978	1979
<i>5000</i>	Fixed assets	, 8 0-	-583	558	659	974	1,137	1,408
	Trade investments		26	47		_	_	_
	Choted investments at cost							80
19		•	· E03	905	658	974	1,137	1,486
<u></u>	Correct essets							_
_	Stocks and work in programs	' (II) '	708	588	· 817-	1.051	1.284	1.285
-	Dabtora	177	- 1,151	1,242	1,488	1,376 .	1,537	2,038
_	Bank balances		1 7	18	. 22	. 10	534	422
160	Secelerable on property sale	. (W) .	<u> </u>	<u> </u>		<u> </u>	· -	160
160		• • •	. 1,858	1,843	2,438	2,437 .	3,395	3,983
	Correst Sabilities		-					
12	Craditors		1,081	1,119	1,355	1.063	1,744	2,017
78	Bank overdraft (secured)		348	270	486	- 538	2 898	710
16	Texation		50	102	38	55	[2]	<u> </u>
108		1 + 16.1	1,478	1,490	1,879	1,854	2,448	2,780
54	Not current assets		387	353	659	783	885	1,119
76		A Park	- 998	958	.,1,217	1,757	2,032	2,579
192	interest in substillarius	- (jA)		-		(4 50)		
	Deferred texation	M	(49)	- (30) - (30)	(101)	(150) (70)	(192)	- (333)
	Minority interests	•	<u>(77)</u>	- (aa)	[73]	(70)	[78]	·· (102)
285	Not tangible assets	: .	870	882	1,043	1,528	1,784	2,144
==			= .				-	
400	Financed by:	м	100	100	100	100	100	- 100
100 185	Shere capital Receives	(vi)	770	762	843	1,428	1,684	2,044
100	Underson	fairt	-					
285			670	882	1,043	1,528	1,784	2,144
===								=
				•.				. •
Note		19 Table 1			30th Sept	lambar.		
	Fized Assets		1974	1975		1977 :	1978	1979
		***** : ·	1874	1010	EDD		1979	. 14/8
• .	Leed and belidieus, at valuation				•	· ·.	•	
	Freebold		157	187	. 238	531	554	458
	Long teasphold		. 225	225	247	250	324	389
	Short leasebold		- 17	- 13.	16	17	3	

414

8|3

Employeet, plant and vehicles, at east

tion and amortisation

428

827 (269)

484

963 (305)

529

1,527 (353)

874 1,137 558 858 1,408 683 (a) 21st March, 1977

1,785 (369)

613 916

1,484

(857)

The property in (a) was valued by G. L. Hearn & Partners on the basis of the Group disposing of its freehold interest conditional upon it taking a least of the completed building, following nterest conditional upon it taking a lease of the completed building, following next, upon normal full repairing lease terms at market rental. They carried out a further valuation amounting to £450,000 on 2nd April, 1980 on the basis of a sale in the open market with vacant possession and with the benefit of existing planning permission for office purposes. A further valuation by G. L. Hearn & Partners as at 2nd April, 1980 on the basis of open market value. of the premises for existing use purposes amounted to \$170,000. The valuations at (b) and (c) were carried on by G. L. Hearn & Partners and Philip James Associates respectively and both represent open market value on an existing use basis. None of the foregoing valuations reflect the cost of any development land tax or capital gains tax which might arise either on redevelopment or on disposal.

DESCRIPTION WOLK I	a in oderen							
		 	1974	1875	30th Sep 1976	<i>tember</i> - 1977	1976	1979
Stocks Work in progress	· .		449 259	423 165	535 382	57B 475	683 381	887 398
	• .		708	588	. :617	1,051	1,264	1,285

Work in progress relates to Clough Smith and comprises the value of work done but not invoiced on both short-term and long-term contracts. The latter category amounted to £162,000 as at 30th September, 1979 and represents individual contracts which extend for more than one calendar year. In arriving at the value of work in progress, amounts involced on account or approximately \$3.594,000 have been deducted from the total of work on uncompleted contracts. It has not been the Company's practice to account separately for accumulated costs and amounts invoiced on account earlier years, and thus it has not been practicable to produce comparable figures for those years.

(iii) Receivable on property sale This represents the amount as at 30th September, 1979 arising from the sale of a property at current market value of £160,000 to Mr. and Mrs. E. D. Chambers agreed subsequent to the balance sheet date. Contracts have been exchanged to this effect and the total purchase price will be paid on completion prior to 18th June, 1980.

(iv) Interest in subsidiaries The interest of Oakwood in its subsidiaries at 30th September, 1979 consisted of:-

Shares at cost and valuation

Subsidiaries include the following non-trading cost Clough Smith Strassing Services Limited Onkwood Commercial Limited Onkwood Securities (Pension Trustees) / Imited Midland Electrical Construction (Wo Southern Computer Limited ... Well Bres., Clough Smith Limited -

(a) A Receiver was appointed to this company on 16th July, 1974 and it ceased trading on that date. Full provision has been made for all losses attributable to the Group.

(b) The book value of shares in subsidiaries does not include the anni
Oakwood issued on 16th May, 1980 to acquire the minority interest in or include the amount attributable to the shares in nority interest in Frank Love (see also (vi) below). (v) Deferred taxation

1974 1975 1977 1978 Accelerated capital allowant Stock appreciation relief A.C.T. recoverable 30

248 115 (25) 30 : 101 158 192 338 The potential amount of additional deferred totation not provided for at 30th September, 1977 was as Stock appreciation relief Chargeable gains arising on the revaluation of freehold properties

339 (vi) Share eapital The authorised, issued and fully paid share capital of Oakwood throughout the period covered by this report comprised 100,000 Ordinary shares of £1 each. On 16th May, 1980 the unthorised share capital was increased to £650,000 and, following the issue of 22,140 and 369 Ordinary shares of £1 each in exchange for the acquisition of certain minority boldings in Frank Love and Clough Smith respectively, and in sub-division and capitalisation issue on that date, the issued share capital was increased to £500,000 divided into 2,000,000 Ordinary shares of 25p each.

	30th September				
	1975	1976	1977 -£000	1878	1879
Total at beginning of period as adjusted Movements in period	770	762	943	1,428	1,864
(a) Retained profits shown in section 2 above (b) Items Included in the adjusted profits but not ultimately	42	147	139	216	234
effecting present not essets	(48)	14	20	(69)	38
(c) Property revaluation/realisation surpluses			305	83	108
(d) Results of subsidiary excluded from adjusted profits	8	10	- 6	(10)	
(e) Long leasehold depreciation written back	_	_	_	18	
(1) Consolidation adjustments	(13)	10	15		<u> </u>
Total at end of period as edjusted	782	848	1,428	1,684	2,044
Amount included above in respect of the Interest of minerales in Frank Love acquired by Dakwood on 16th May, 1980, but	== ;			-	
treated for the purpose of this report as attributable to the Group throughout	214	247	366	426	469

Of the Group reserves shown above of £2.044,000 at 30th September, 1979, an amount of approximately £950,000 was not ordinarily distributable.

(viii) Contingeol liabilities
Oakwood has guaranteed the bank overdraft of Clough Smith up to \$200,000. (ix) Capital commitments

ne amount of capital expenditure at 30th September, 1979 and not provided in the accounts tounted to £164,601 of which Oakwood was committed to the extent of £161,101.

4. Divide No dividends have been paid or proposed by Oakwood during the period under review.

No audited accounts of Oakwood or its subsidiaries have been made up for any period subsequent to

Yours faithfully SPICER AND PEGLER

, St. Mary Axe House,

LETTERS RELATING TO THE PROFIT FORECAST ving are copies of letters addressed to the Directors of Oakwood relating to the profit

(i) From the reporting accountants: -

56-60 St. Mary Axe. London ECJA 8BJ

The Directors. Oakwood Group Limited.

16th May, 1980

We have reviewed the accounting policies and calculations for the profit forecast of Oakwood Group Limited and its subsidiaries." The Group"! for the year ending 30th September, 1980, for which the Directors are solely responsible. The forecast, as referred to the particulars dated 15th May, 1980, issued in connection with the listing of the Ordinary share capital of Oakwood Group Limited, includes the results shown by the unaudited management accounts for the six months ended 31st

In our opinion the forecast, so far as the accounting policies and calculations are concerned, has been properly compiled using the assumptions made by the Board set out in the said particulars and is ent with the accounting policies normally adopted by the Group. Yours faithfully, SPICER AND PEGLER

(ii) From Capel-Cure Myers Limited: -

Bath House Holborn Viadact, London ECIA 2EU

The Directors, Oakwood Group Limited. 16th May, 1980

Gentlemen.

We refer to the profit forecast for the year ending 30th September, 1980 set out in the paragraph headed Profits and Profit. Forecast, included in the document dated 16th May, 1980, issued in connection with the listing of 2,000,000 Ordinary shares of 25p each of Oakwood Group Limited.

We have discussed with you the policies and assumptions to which the profit forecast was made. We have also considered the letter dated 16th May, 1960 addressed to you from Spicer and Pegler regarding the accounting policies and calculations adopted in arriving at the profit forecast.

On the basis of the above, we consider that the profit forecast, for which you are solely responsible, has been made after the care and consideration.

Yours faithfully.

Yours faithfully,
For CAPEL-CURE MYERS LIMITED, R. A. M. LEDERMAN, Director.

STATUTORY AND GENERAL INFORMATION

ory and Capital Changes Oakwood was incorporated in England on 10th June, 1964 as a private company with the name Lombard Oakwood was incorporated in England on 10th June, 1964 as a privain company with the name Lombard
Development Company Limited, the name being changed to Lombard Development Limited on 3rd December,
1964, to Oakwood Securities Limited on 22nd December, 1971 and to the present name on 21st March, 1980. It
was converted into a public company and adopted new Articles of Association on 16th May, 1980. Immediately
before 16th May, 1980 the authorised share capital of Oakwood was £100,000 divided into 100,000 Ordinary
shares of £1 each all of which were issued and fully paid. On that date:—

(i) the authorised share capital of Oakwood was increased to £650,000 by the creation of an additional
550,000 Ordinary shares of £1 each:

(ii) n total of 22,140 Ordinary shares of £1 each were issued credited as fully paid in consideration of the
transfer to Oakwood of 36.668 Ordinary shares of £1 each in Frank Love pursuant to Contract No.

(iv) referred to in paragraph 5 below:

(iv) referred to in paragraph 5 below;
(iii) 369 Ordinary shares of \$1 each were issued credited as fully paid to Mr. G. A. Coleshill in consideration of the transfer by him to Oakwood of 1,000 Ordinary shares of \$1 each in Clough Smith;
(iv) each of the 650,000 issued and unissued Ordinary shares of \$1 was sub-divided into 4 Ordinary shares

(v) the sum of 5377,491 being part of the amount standing to the credit of the reserves of Oakwood was capitalised and applied in paying np 1,509,954 Ordinary shares of 25p each which were distributed rateably amongst the holders of the existing Ordinary shares.

	Oakwood has the following subsidiaries all of which are priva- Bate of	ate companies incorporated in Eng	pland:—
•	Name of Company lacorporation	issued Share Capital	% owned
	Clough Swith Limited 15th June, 1910	152,839 Ordinary shares of £1 each	69 -
		7,990 4:2% Cumulative Preference	
		shares of £1 each	72
	Frenk Love Limited 13th November, 1940	110,000 Ordinary shares of £1 each,	100
٠,	Balcagood Securities (Pension Trustees) Lineted 10th June, 1984	2 Ordinary shares of £1 each	100
	Calverood Commercial Limited 4th May, 1956	10,000 Ordinary shares of £1 each	190
	Clough Smith Stressing Services Limited 7th June, 1983	28,000 Ordinary shares of £1 each.	89
٠.	Southern Computer Limited 30th July, 1984	2 Ordinary shares of 250 each	100
	Well Briss, Clodge Smith Limited 22nd May, 1951	1,000 Ordinary shares of £1 each	. 88
	Alidland Flactrical Construction		
	(Wolverbenspton) Limited for receivership) 28th July, 1981	40,000 Ordinary shares of £1 each	88
•			

3. Contract with Capel-Care Myers Limited
Under Contract No. 5 (vi) below Capel-Care Myers Limited has agreed, subject to the whole of the issued
share capital of Oakwood being admitted to the Official List by the Council of The Stock Exchange not later than sham capital of Oakwood being admitted to the Official List by the Council of The Stock Exchange not later than 28th May, 1980, to purchase from the Ordinary shareholders of Oakwood a total of 500,000 Ordinary shares of 55 each at a price of 83p per share less a commission of ½p per share (plus VAT) with a view to such shares being placed with its clients and other members of the public. The contract provides, inter alia, that Oakwood will pay all the expenses of and incidental to the application for the Issued share capital of Oakwood to be admitted to the Official Lim including all the costs of preparation, printing and advertising of these particulars, all accountancy and legal expenses and a fee to Capel-Cure Myers Limited.

The vendors and the numbers of shares agreed to be sold by them respectively are:

E. D. Chambers 156,339; Mrs. P. T. B. Chambers 121,808; Mrs. P. T. B. Chambers and E. E. Heath 33,253; Mrs. P. T. B. Chambers and C. M. Bedwin 33,253; E. J. P. C. L. Knight 8,976; R. C. Jones 2,651; G. F. Mann 21,156; J. G. Mann 21,156; Mrs. A. Mann 7,565, and Mrs. J. Mann 7,565.

4. Directors and other interests cing the interests, as shown in the register ma Companies Act 1967, of the Directors and their families in the share capital of Onkwood will be as follows Non-Beneficial 260,000 Beneficial

1.091,975 G. F. Mann G. A. Coleshill 6,024

The non-beneficial interest of Mr. Chambers represents shares held by his wife as one of the trustees of trusts for the benefit of his children. The beneficial interest of Mr. Chambers includes these shares.

(b) Immediately after the placing Mr. J. G. Mann will hold 130,000 Ordinary shares of 25p. each (representing 6.5% of the issued share capital) of Oakwood. (c) Save as disclosed above the Directors are not aware of any interest which will immediately after the placing represent 5% or more of the issued share capital of Oakwood.

Articles of Association
 The Articles of Association of Oakwood contain provisions (interalia) to the following effect:—

riect to any special rights or restrictions as to voting attached to any shares, on a show of hands Subject to any special rights or restrictions as to voting ntinehed to any shares, on a show of hands every member, who (being an individual) is present in person or (being a corporation) is present by a representative or proxy, shall have one vote and on a poll every member who is present in person or by proxy shall have one vote for every 25p in nominal amount of shares of any class hold by him. No holder of Ordinary shares in the Company shall be entitled to vote at a general meeting if he of any person appearing to be interested in Ordinary shares beld by him has been duly served with a notice under Section 27 of the Companies Act 1975 and is in default in supplying to the Company the information thereby requested within 42 days after service of the said notice or sueb longer period as may be specified in the said notice for compliance therewith.

(b) The Directors may exercise all the Company's powers to borrow money but shall restrict the borrowings of the Company and shall exercise all voting and other rights or powers exercisable by the Company in relation to its subsidiaries so as to secure that the aggregate amount outstanding of all moneys borrowed by the Group (excluding Intra-Group indebtedness) shall not, without the previous sanction of an Ordinary resolution of the Company, exceed an unrount equal to one and a balf times the aggregate of the amount peid up on the share capital of the Company and the amount standing to the credit of the capital and revenue reserves of the Company and its subsidiaries (all as more precisely defined in the Articles of Association).

Je) The Chairman und other Directors of the Company shall be paid such remuneration (by way of fee) for their services as may be dutermined by the Board save that unless otherwise approved by the Company in general meeting the aggregate amount of such remuneration shall not exceed £0.000 per annum subject to annual increase in line with the increases in the Retail Prices Index. The Directors shall also be entitled to be paid all travelling, hotel and other expenses properly incurred by them in connection with the business of the Company or in attending and returning from meetings of the Directors or general meetings. Any Director who by arrangement with the Directors, performs services outside the scope of the ordinary dudes of a Director may be paid such extra remuneration as

the Directors may determine. (d) The Directors may appoint may one or more of their number to be the holder of any executive office on such terms as to remuneration and otherwise as they think fit. Such Director shall not be subject to

ent by rotation. (e) A Director may hold any other office or place of profit nuder the Company (other than the office of A Director may hold any other office or place of profit under the Company (other than the office of auditor) and may set in a professional capacity to the Company on such terms as the Directors may determine. No Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise, nor shall any such contract, or any contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested, be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement hy reason of such Director holding that office or the fiduciary relationship thereby established but the nature of his interest must be disclosed. Any Director may continue to he or become a Director or other officer or member of or otherwise interested in any other company promoted by the Company or in which the Company may be Interested as a member or otherwise or which is a holding company of the Company or a subsidiary of such holding company, and no such Director shall be accountable for any remuneration or other of such holding company, and no such Director shall be accountable for any remmeration or other benefits received by him as a Director or other officer or member of, or from his interest in, any such

other company.

(I) Subject as mentioned below, a Director shall not vote in respect of any contract or arrangement or other proposal in which he has a material interest otherwise than by virtue of his interest in shares or debentures or other securities of or otherwise in or through the Company. A Director shall not be counted in the quorum at a meeting in rulation to any resolution on which he is deburred from voting. However, a Director may fin the absence of somm other material interest than is indicated below) vote and he counted in the montant in expect of any resultation concerning any of the following matters:

and be counted in the quorum in respect of any resolution concerning any of the following matters:

(i) the giving of any security or indemnity to him in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries or to a third party in respect of obligations of the Company or any of its subsidiaries or to a third party in respect of obligations of the Company or any of its subsidiaries for which he has assumed ensibility in whole or in part:

sal concerning an offer of securities of or by the Company or any of its subsidiaries in which be is interested as an underwriter,

(iii) may proposal concerning another company in which be is interested provided he is not the holder

of or beneficially interested in 1 per cent, or more of any class of the share capital of such

(iv) any proposal concerning the adoption, modification or operation of a superannuation fund or retirement benefits scheme under which be might benefit and which is subject to Inland Revenue

approval for taxation purposes; (v) any proposals in relation to the appointment of two or more of the Directors to offices or

(v) any proposals in relation to the appointment of two or more of the Directors to offices or employment with the Company or any other company in which the Company is interested provided that the proposal in relation to each Director is taken separately and he does not vote and is not counted in the quorum in relation to his own appointment,
(g) Section 185 of the Companies Acr 1948 (relating to the appointment and retirement of Directors who have attained the age of seventy) applies to the the Company.
(b) The Directors may establish and maintain pension and superannuation funds for the benefit of and, give donations, gratuities, pensions allowances and other benefits to any persons who are or were at any time in the employment of the Company or any subsidiary or associated company and who may be or have been Directors or officers of the Company or any such other company and who hold or have held executive or non-executive positions therein and to the wives, widows, families and dependants of any such persons and may establish and subscribe to all kinds of sebemes, trusts and funds for the benefit of any such persons.

benefit of any such persons,

(i) A Director shall not be required to hold any qualification shares but nevertheless shall be entitled to attend and speak at any general meeting or at any separate general meeting of the holders of any class .of shares of the Company.

6. Material Contracts

2000

418 (224)

192

153

6. Material Contracts

The following contracts not being contracts in the ordinary course of business, have been entered into within the period of two years immediately preceding the date hereof and are or may be material:

(i) Dated 2nd October, 1978 being a mortgage debenture in favour of National Westminster Bank Limited whereby Frank Love created fixed and floating charges over its assets and undertaking in security for all present and future indebtedness and other liabilities of Frank Love to National Westminster Bank Limited:

(ii) Dated 14th May, 1980, between Oakwood (1) and Clough Smith (2), whereby Oakwood agreed to sell

freehold property known as Old Trees, Horley Lodge Lane, Salfords, Surrey to Clough Smith for a cash consideration of £160,000:

(iii) Dated 16th May, 1980, between Clough Smith (1) and Mr. and Mrs. E. D. Chambers (2), whereby Clough Smith agreed to sell the freehold property referred to in (ii) above to Mr. and Mrs. E. D. Chambers for a cash consideration of £160,000; (iv) Dated 16th May, 1980, between G. F. Mann and others (1) and Oakwood (2), whereby Oakwood agreed to purchase a total of 36.668 Ordinary shares of £1 each in Frank Love in considerat

agreed to purchase a total of 36,668 Ordinary shares of £1 each in Frank Love in consideration for the issue by Oakwood of a total of 22,140 Ordinary shares of £1 each credited as fully paid;

(v) (a) Dated 16th May, 1980, between E. D. Chambers (1) and Oakwood |2), whereby Mr. Chambers agreed to serve Oakwood as Managing Director for a period of 5 years from 1st April, 1980 and thereafter subject to 6 months' notice by him or one year's notice by Oakwood at an annual salary of £15,000 subject to annual review;

(b) Dated 16th May, 1980, between G. F. Mana, (11 and Oakwood (2), whereby Mr. Mana agreed to serve as an Executive of Oakwood and Joint Managing Director of Frank Love for a period of 4 years from 1st April, 1980 and thereafter subject to 6 months' nodes by him or one year's notice by Oakwood is an annual salary or £14,500 subject to annual review;

(e) Dated 16th May, 1980, between G. A. Coleshill (1) and Oakwood (2), whereby Mr. Coleshill agreed to serve as an Executive Director of Oakwood and Deputy Managing Director of Clough Smith for uperiod of 4 years from 1st April, 1980 and thereafter subject to 6 months' notice by him or one year's notice by Oakwood at an annual salary of £14,500 subject to annual review plus nor one year's notice by Oakwood at an annual salary of £14,500 subject to annual review plus nor one year's notice by Oakwood at an annual salary of £14,500 subject to annual review plus nor one year's notice by Oakwood at an annual salary of £14,500 subject to annual review plus nor one year's notice by Oakwood at an annual salary of £14,500 subject to annual review plus nor one year's notice by Oakwood at an annual salary of £14,500 subject to annual review plus nor one year's notice by Oakwood and Deputy Managing Director of Clough Smith for uperiod of 4 years from 1st April, 1980 and thereafter subject to 6 months' notice by him

or one year's notice by Oakwood at an annual salary of £14,500 subject to annual review plus n discretionary hours;
(d) Dated 16th May. 1980, between J. G. Mann (1 and Frank Love |2), whereby Mr. Mann agreed to

serve Frank Love as joint Managing Director for a period of 4 years from 1st April, 1980 and thereafter subject to 5 months' notice by him or one year's notice by Frank Love at an annual

salary of £14,500 subject to annual review.

Dated 16th May, 1980, between the vendor shareholders fisted above (1), the Directors of Oakwood (2), Oakwood (3), Mr. E. D. Chambers and others (4) and Capel-Cure Myers Limited (5), being the contract referred to in paragraph 3 above relating to the placing of a total of 500,000 Ordinary shares of 25p each of Oakwood.

7. Taxation

The Directors have been advised that following the completion of the placing Oakwood is likely to remain a close company within the meaning of the Income and Corporation Taxes Act 1970, as amended. Shortfall und apportionment clearances as appropriate for all periods up to 30th September. 1979 have been obtained in respect of Oakwood and its subsidiaries. The Directors have been advised that no notice will be given under subsection (3) of Section 460 of the Income and Corporation Taxes Act 1970. Under Contract No. [vi] above.

Mr. E. D. Chambers has given indemnities in respect of taxation and estate duty affecting Oakwood or its

In Save as disclosed herein:-

 (i) no share of loan capital of Oakwood or any subsidiary is under option or has been agreed conditionally or unconditionally to be put under option;
 (ii) no share or loan capital of Oakwood or any subsidiary has, within the two years immediately preceding the date bereof, been issued or agreed to be issued or is now proposed to be issued either for cash or otherwise; within the said two years no commissions, discounts, brokerages or other special terms have be

granted by Oakwood or any subsidiary in connection with the issue or sale of any part of their respective share or loan capitals: respective start or loan capitals;

(iv) no Director of Oakwood is materially interested in any contract or arrangement subsisting at the date hereof and which is significant in relation to the business of Oakwood and its subsidiaries

(v) there is no contract of service existing or proposed between any Director of Oakwood and Oakwood or any of its subsidiaries.

(b) On 16th May, 1980 Mr. and Mrs. E. D. Chambers exchanged contracts for the purchase from Clough Smith and tow beneficially own, the freehold property or euploid by them for approximately four years as referred to in Couract No. (iii) nbave, this property having previously been owned by the Group. Except aedisclosed herein no Director of Oakwood has had within the two years immediately preceding the date hereof or now has any interest, direct or indirect, in any assets which within the said period have heen or are proposed to be acquired or disposed of hy or leased to Oakwood or any publishers.

(e) Without the prior approval of Oakwood in general meeting no material issue of shares (other than shares first offered to shareholders proruta to existing shareholdings) will be made within one year of the date of this document and no issue will be made which would effectively alter the control of

Oakwood or the nature of its business.

(d) The aggregate emoluments of the present Directors of Oakwood during the year ended 30th September, 1979 amounted to £60,768. Under the urrangements currently in force their aggregate emoluments for the year ending 30th September, 1980 are estimated to amount to £50,497.

(e) Apart from outstanding claims and proceedings in respect of which the Directors are of the opinion that adequate insurance cover is available neither Oakwood nor may of its subsidiarias has any

litigation or claim of material importance pending or threatened against it.

(f) No part of the proceeds of sale of the shares now being placed will be received by Onkwood.

(g) The expenses of and incldental to the placing and the application for the share capital of Oakwood to be listed so the Stork Exchange are estimated at £80,000 exclusive of VAT and are payable by Oakwood.

Spicer and Pegler have given, and have not withdrawn, their written consent to the issue of this document with the inclusion herein of their report and their letter together with references thereto set out in the form and

context in which the same appear.

G. L. Hearn & Partmers and Philip James Associates have given, and have not withdrawn, their respective written consents to the issue of this document with the inclusion herein of reference to their respective valuations in the form and content in which the same appear.

Ibbett, Mosely, Card & Co. have given, and have not withdrawn, their written consent to the issue of this

document with the inclusion herein of reference to their name and opinion in the form and context in which the

Chantrey, Button & Co., Hays Allan and Hartley, Fowler & Co. have given, and have not withdrawn, their respective written consents to the issue of this document with the inclusion therein of the references to their names in the Accountants' Report in the form and context in which the same appear. Capel-Cure Myers Limited has given, and has not withdrawn, its written consent to the issue of this document with the inclusion herein of its letter and references to its name in the form and context in which the

same uppear.

Such consents, together with the statement of adjustments made by Spicer and Pegler in arriving at the figures shown in the report and giving their reasons therefor, and copies of the above-mentioned contracts, were attached to the copies of this document delivered to the Registrar of Companies for registration.

Copies of the following documents will be available for inspection at the offices of Capel-Cure Myers Limited, Bath House, Holborn Viaduct, London EC1A 2EU during normal business hours on any weekday (excluding Saturdays and Bank and Public Holidays) for u period of fourteen days from the date of this document:—

(n) the Memorandum and Articles of Association of Oakwood;
(b) the audited consolidated accounts of Oakwood and its subsidiaries for the two years ended 30th September, 1979;

(c) the contracts referred to in paragraph 5 above:
(d) the report of Spicer and Pegler and the statement of adjustments referred to above;
(e) the valuations prepared by G. L. Hearn & Partners and Philip James Associates;
opinion of Ibbett, Mesely, Card & Co.;
(f) the above-mentioned letters relating to the forecast of profit; and s and the letter of

16th May 1980

PENDING DIVIDENDS

Broweries...June 10 Final 1.831
*Affied Irish
Banks...Kay 21 Final 7.143

Assoc. Sent. June 11 Sec. int. 1.7

"Avon Rubber...bday 21 Int. 4.0

BOC Intl.May 21 Int. 1.8

Baker June 21 Sec. int. 4.35

Baker June 21 Sec. int. 4.35

Base May 28 Int. 2.1

Beechsm May 29 Finel 12.075

Perstand

(S. & W.) Juns 21 Int. 25
Soms May 22 First 3.5

Outton-Forsbaw...May 17 Final 1.83

Eng. Chine Clays. June 14 Int. 2.117

Withy...May 20 Final 5.274 GEI Ind.June 12 Final 3.028

Produce...May 50 Finel 3.082

Telegreph...Máy 29 Final 4.0335

Latham, June 21 Final due

Japanese resume overseas lending

BY CHARLES SMITH, FAR EAST EDITOR, IN TOKYO

FOREIGN currency lending to than the \$3bn worth recorded reasonable ratio for Japan to eso banks has been 'very year. quietly resumed" according to Mo Mr. T. Sagami, Vice-Minister for International Financial Affairs at the Ministry of Finance. It is clear, however, that such lending will in future be on a scale lower than it bas been in the

Mr. Sagami supported bis statement by revealing that, in the first three months of 1980. Japanese banks committed themesives to \$1.4bn worth of overseas loans. This was far less than the \$7bo worth of loans cootracted in the third quarter of 1979 and less even

NZ to review

By Dai Hayward in Wellington

THE NE WZEALAND Securi-

the existing laws covering com-

pany takeover and mergers fol-

lowing a number of controversisl and highly publicised take-

The review will include sn

examination of tactics employed by those associated with recent

mergers and takeovers. Where

use its statutory nowers to obtain details in documentation

of relevant practices. The operations of the NZ Stack Ex-

change in relation to takeovers

The review is to ensure that

promote s free, open, in-

the merger and takeover laws

formed and competitive merket

while safeguarding the interest of investors and others con-

cerned," says Mr. Colin Patter-

son, the chairman of the Securi-

has concluded that in various

respects the existing laws are

The proposal review of the

takeover laws comes at a time

when a fierce takeover battle is

being waged by fletched Hold-

ings, which wants to acquire Carter Holt. Carter has ques-

tioned some of the earlier abare

says, before

dealings, which, it Fletchers undertook

announcing its bld.

deficient and need reform.

He adds that the commission

will be studied.

ties Commission.

necessary the commission will

over during the past year.

takeover

practices

overseas horrowers by Japan- in the fourth quarter of the Most of this latter figure, bow-

ever, reflects loans agreed during the first three weeks of October 1979, preceding 2 request from the Finance that banks should overseas foreign suspend curreocy lending for the time

Mr. Sagami estimated that Japan secounted for around 13 per cent of all overseas leading by international banks during the first quarter of the year. He suggested that 10 per ceot of into this category. Losns to the return to the the global total would be a Italian National Railways and to 1978 and 1979.

aim at in future. This, however, is admitted to be 9 very rough rule of thumb. As to the likely amount of syndicated leoding during the remainder of the year the Vice Minister declined to make any prediction.

Syndicated loans made by Japanese banks durin gthe first quarter of the year are known to have included a high proportion of special cases—that is, loans made to finance projects in which Japanese exporters were directly iovolved. Finance Ministry officials emphasise however, that not all lending fell into this category. Losns to the

periencing its worst recession since the 1930s and Pacific

ing programme with its credi-

have been a serious drag on Dillingham's own earnings,

which amounted to \$28.4m on

revenues of \$1.1bn in 1979. Last

year, Pacific Norse just about

broke even and given the up-

turn in the dry cargo markets

in recent months it has prob-

sbly been making profits re-

Jebsens (UK), a wholly owned subsidiary of Kristian Jebsens Rederi, is paying \$25m

for Dillingham's balf share in

Pacific Norse which represents

the book value of its stake at March 29, 1980. Certain re-quirements are still to be satis-

Pacific Norse's difficulties

the Korean oil import corporatioo were smongst a number in which there was oo Japanese export involvement.

Mr. Sagami said the Finance Ministry decided to suspend overseas foreign currency lending last autumn because of concreo about the methods of funding used by Japanese banks (borrowin gsbort to lend long) and the risk of over exposure to iodividual borrowers. Both concerns continue. Heoce the Government's desire to see 6 modest and controlled resumption of lending rather than a return to the "excesses" of

Malaysian

MALAYSIAN PLANTATIONS Berhsd, formerly the rubber division of the UK-based Plantaiton Holdings, but now a Malaysian quoted compsoy, has reported a 15.5 per cent rise in earnings to 13.9m ringgit (\$6.3m) for the year ended December. Turnover rose by 18 cent to 42m ringgit

The profit was just short of the 14m ringgit forecast when the company went public last June. The dividend is the promised 18 per cent. Because of a low tax, net profit was 7.8m ringgit, 23 higher than for 1978. Malaysian Plantations Berhod. which has 21,000 acres of rubber and oil palm, is 64 per ceut owned by Multi-Purpose Hold-ings and Multi-Purpose Co-operative Society, which are controlled by leaders of the Malaysian Chinese Association.

coalition government. The company owns Brookland Estate, which contains large deposits of tin. It has an agreement to sell Brookland Estate to the Selangor state government io stages, ss and when the land is required for mining.

running at an annual rate of 14.7 per cent President Carter also bas the problem of Congressional

may well depend on which path

the ecocomy takes and interes

rate levels, but there is also the

outcome of current Middle East

caused so much nervousness and

9.8. dronths
6.57 3.52-3.42 pm
3.80 3.12-3.02 pm
6.31 7-25, pm
0.91 30-20 pm
-2.22 P-54, dis
0.49 0.25-0.20 pm
7.65 8-7 pm
-2.13 pur-90 dis
-2.40 50-130 dis
-2.40 50-130 dis
-1 pm-1 0is
1.09 12-104 pm
4.00 104-34 pm
4.19 6.95-5.35 pm
7.19 54-7 pm
9.53 103-94, pm

tensions, the start of which

Dillingham pulls out of shipping joint venture

Pacific Norse operates a fleet of 16 bulk carriers in the 20,000 dwt-35,000 dwt range with a total capacity of just under 500,000 dwt. The ships sre sballow draft self loading vessels which specialise in carrying sensitive commodities such as titanium ores, mineral sands and alumina between the

U.S., Australia and Europe.
Dillingham and Jebsens established the joint venture in 1973 at the beight of the last shipping boom. Jebsens contributed some of its own ships and Pacific Norse ordered aeveral new ships Japanese abipyards. from

Sbortly after the Isunch of thte joint venture the world fied and the closing dote is ex-

shipping market began ex- pected next month. Sime may buy palm oil refiner by our kuala lumpur correspondent

cently.

palm oil refining company cur-

SIME DARBY, the Malaysian iog glycerine from palm oil conglomerate, has entered nego- Sime is reported to have offered tistions with a view of taking S\$10m (U.S.\$4.8m) for the over Glychem Singapore, a plant and equipment. Sime is already one of the biggest palm rently under receivership.

Glychem operates the only glycerine plant will brosdeo its plant in Southeast Asia producagro-industrial base.

Plantations lifts profit

(\$19.2m).

a component of the Malaysian

 Goodyear Malaysia achieved snother record year with after-tax profit for 1979 rising by 25 per cent to 8.75 ringgit. The growth was "very satisfying" considering

Companies CURRENCIES, MONEY and GOLD

Future for dollar remains uncertain

The recent fall in the value of the U.S. dollar has been attributed mainly to a fall in cent against sterling. In that time prime rates have fallen from 20 per cent to 164 per cent and seem likely to fall further. With the U.S. authorities lifting the dollar will continue to fall the 3 per cent surcharge on the

GOLD

which are less than 1 per cent lower in places' corresponding Euro-dollar rate. The question now is whether

or be allowed to fall should interest rates continue to decline.

\$531-884 \$592-539 \$182-183

May 15

Federal funds trading as low as It seems likely that the Federal II per cent, banks prime rates Reserve Bank will step in again were and still are somewhat out of line.

Sustained run oo the dollar. U.S. interest rates. Since the of line.

But the fall in prime rates to rates started to fall from a peak of 20 per cent, the dollar bas fallen by nearly 6 per cent against the D-mark, almost 10 per cent against the yen, and 4½ per cent against the yen, and 50 line sustained run oo the dollar.

There may also be some comfort on oil imports, the fate of which gained from recent economic is likely to give a clearer iodication as to how far the U.S. is prepared to go to curb eoergy imports and thus belp reduce inflation. Future dollar trends the yen, and 4½ per cent against the yen, and this should deter any opposition to his proposed trainful run oo the dollar.

There may also be some comfort on oil imports, the fate of which gained from recent economic is likely to give a clearer iodication as to how far the U.S. is prepared to go to curb eoergy imports and thus belp reduce inflation. Future dollar trends in the problem of the dollar trends the give much cause for concern, according to Mr. Paul Volcker, than the Board, since any increase should

be in line with projected growth However inflation is currently uncertainty earlier this year. OTHER CURRENCIES

May 16	£	\$		Note Rates
Armentina Peso	4100-4120	1792 1805	Austria	86,15-29,45
lustralia Dollar	2,0245-2,0285	0.8870-0.8875	Selelum	66.85-67.45
Brazil Cruzeiro	113,57-114,57	49,985-50,135	Denmark	12.80-16.87
Finland Markka	8.44-8.45	5,6990-3,7010	France	9,57-9,63
Fresk Brachma		42.80-43.10	Germany	4,10-4,13
long Kong Dollar	11,211,-11,231	4,9140-4,9180	Haly	1896-1935
ran Rial		. 17/2	Japan	\$20.525
(uwait Dinar(KD)		0,9595-0.2696	Notherlands	4,50-4.58
uxembourg Frc.		92.89-29.91	Norway	11.28-11.30
dalayele Dollar		9.1776-2.1795	Portuge!	108-115
lew Zealano Dir.		1.0655-1.0985	Spain.	1874-1644
audi Arab. Riyal.		3,3290-3.6310	Swedsn	9.87-9.72
lingepore Dollar.		2.1590-3.1610	6witzerland	3,811-3,844
th. African Rano			United States	2,276-2,295
I A.E. Dirham	8,47-8,27	5.7180-3,7250	Yugoslavia	454-43

THE POUND SPOT AND FORWARD

4,50%-4,51% 66,00-66,10

12.80°-12.16°-1.1010-1.1020

4.09\(\sigma\).10\(\sigma\)
112_55-112.75

1831-1852 11.231-11.241-1 9.57-6.58 9.68-9.67 5231-5241-1 29.20-29.25

12.80-12.90 1.1005-1.1090

4.09-4.13 112,30-113.20 162,50-163.30

1928-1941 11.23-11.29

1.30-1.20c pm 0.90-0.80c pm

2¹-1¹-c pm 10c pm-per 1¹-3¹-ore die 0.07-0.02p pm

0.07-0.02p pm
31-21pf pm
par-65c dis
par-65c dis
1libe pm1 dis
21-10re pm
43-31c pm
16-13c pm
2.65-1.60y pm
15-16gro pm
france. Financial
5 12c pm
12-max
13-12c pm
13-13c pm
13

THE DOLLAR SPOT AND FORWARD

May 16

Gold Sullion (fine ounce) (£225-2271₂) (£2231₂·226) (£296,470) (£226,937)

(£232-234) (£2271₂-2321₂) (£573₄-591₂) (£671₄-691₂) (£6814-701₄)

May 19	Spread	Close	Ons month	% p.a.	Threa	p.a
UK†	2.2770-2.2935	2.2835-2.2845	1.30-1.20c pm	8.57	3.52-3.42 pm	5.0
ireland†	2.0630-2.0720	2.0700-2.0720	1.25-1.15c pm		3.55-3.45 pm	
Canada	1.1744-1,1786	1.1755-1.1758			0.47-0.52dra	
Nathind.	1.9780-1.9820	1.9795-1.9810	0.03c pm-0.02 dis		0.07-0.03 pr	
Gelgium	28.79-28.91	28.89-28.91	12-15c dia		30,34 dis	-4.4
Donmark	5.6200-5.6295	5.6235-5.6260			104-104 dis	
W. Ger.	1.7920-1.8030	1,7935-1,7945	0.20-0.10pf pm		0.61-0,51 pm	
Portugal	49.30-49.65	49.30-49,46			75-115 dis	-7.7
Spain	71.20-71.45	71.20-71.30			135-170 dia	-8.50
liely	846.25-847.00	846.25-846.55	41-51-lire dis		121-14 Ois	- g.26
Norway	4.9050-4.9330	4.9290-4.9310	1.60-2_10ore dia		2.40-2.90dia	
Franca	4.1925-4.2140	4.1925-4.1950			1.75-1.95dls	
2weden	4,2280-4,2330	4.2300-4.2315			3.40-3.60dis	
Jepan	226,90-232,00	229,40-229,60			0.85-1.06dis	
Auatria	12.83-12.847	12.831-12.8412	1.10-0,40gra pm		4.25-1.75.pt	
Switz.	1.6640-1.6790	1.6675-1.6685	0.66-0.56c pm		2.02-1,92 pm	
t UK	and Ireland a	ere quotad in t	I.S. currency. For		premiuma a	
	nambe to	the 17 5 della	- and -as to the	India.	d	

EURO-CURRENCY INTEREST RATES

The following nominal rates were quoted for London dollar certificates of deposit: one-month 10.05-10.15 per cent; three-months 10.50-10.60 per cent; and months 10.55-10.65 per cent; one year 10.50-10.60 per cent.

May 15	Starling	1	U.S.Dollar	Canadian Doller	Nutch Guilder	Swiss Franc		st German Mark	French Franc	Italian Ura	Asian #	Јаралезе Үел
7 deys' notice. Month Three months Six months One year	1718-1712 1756-1759 1712-1758 1618-1636 1418-1514	i	936.955 912.934 1034.11 10;3.11;4 11.114 11.5.1156	9-10 9-10 1314-1358 124-1256 1156-1154 11-1136	1034-11 11-1114 11-1114 11-1114 1054-11 1031 11	441; 441; 661; 61864 61:56	1	912-956 912-956 912-954 952-913 958-915 278-815	121 ₂ -193 ₄ 125 ₂ -121 ₈ 121 ₄ -127 ₂ 123 ₄ -13 127 ₈ -131 ₈ 151 ₈ -133 ₈	13-15 1614-18 17-16 1612-171 ₈ 16-17 1612-171 ₈	9%-91% 8%-9% 10/2-10/2 11-11/2 11/1-11/3	19 19 19 19 12 12 12 12 12 12 12 12 12 12 12 12 13 13 14 10 14 11 10 14 11 11 11 11 11 11 11 11 11 11 11 11

Long-term Eurodoller two years 114-114 per cent: thres years 114-114 per cent; lour years 114-114 per cent; five years 114-114 per cent; nominal closing rates interm rates are cell for sterling. U.S. dollars. Cenadian dollars and Japanssa yen; others two days' notics. Asian rates are closing rates in Singapora.

LONDON MONEY RATES

May. 12 1980	Sterling Certificate of dsposit	interpank		Local Auth negotiable bonds	Finance House Deposits	Company Ils posits		Treasury	Eligibie Bank Bilis é	Fine Trade Sille 4
Over night		194.12	_	i –		174	16-1654	! _		_
2 days notice			1789-1758	-	_	! -	_ `	! -	_ i	_
7 days or		- :	_	· - ·	_	I —	 -	i —	_	
7 days notics	· -	155g-157g	1758-1734	– 1	174	174	163,		- :	
One month		17.171s	174-174	184.18	175g	1712.1734	16-le	15 - 154	1756-174	12
Two months		17-1716 -	_	1754-1712	17,5	· –	1612	15 K	174-17	1758
Three months.		16 2 17 kg	17	174-167	1776	1712-1734	185a	161g-162		171
Six months		16-16 a	16-161s	161a-1554	1550	īs.			15, 16,	165a
Nine months		154-154		161-165a	1.55e	15	_			
One Year		1478-16	183a	15lg-15l4	151	15ig	_		_ :	
- 10 TOWN			187_161	1		! i	_	· _ i	[

Local authority and finance houses seven days' notice, others seven days' fixed. "Long-term local authority mortgage rate nominally three years 142-152 per cent; lour years 142-142 per cent; five years 142-143 per cent. @9ank bill rates in table ere buying rates for prime paper. Buying rates for four-month bank bills 162-163s per cent; four-month trade bills

Insect Houses Base Rates (published by the Finance Houses Association) 12 per cent from May 1, 1980, Deposit Rates for some at seven days' notice 15 per cent. Clearing Sank Rates for landing 17 per cent. Awarans tender retes of discount 16.1427 per cent.

Bank Special European rate Drawing Currency 2 Rights Unit May 15 17 0.569042 0.911144 15 1.30174 1.39824 94 18,7192 14 Unzvail 13 7,89954 74 2,34291 10 2,67745 91 6,47392 15. 1101,50 9 296,386 9 6,41497 8 92,7724 10 5,51703 8 1,17976 French Fr. _ Yen..... Norwen, Kr... Spanish Pts... Swadish Kr...

CURRENCY RATES

Hanson Trust, June 11 Int. 3.327 Harrisons and Crosfield...Juna 7 Heath (C. E.)...Mey 20 Hill Spracel June 12 HomireyMay 23 ICLMay 29 Int. nil Intl. Timber ... June 13 Final -5.088 Metthey...June 12 Final 5.6 *K ShotaMay 20 Int. 0.86 Keyser Ullman...May 23 Pland Secs....May 19 Linduames ...June 21 Final de Linduames ...June 21 Final 6.6 Northern... May 20 Final 2:1 Lend. & 0'sees Frirs....May 30 Finel 1.072 MerleyMay 30 Int. 1.5 Metel BoxJune 11 Finel 10.72 MEPCMey 31 Int. 1.5 Mineter Assots...Msy 30 Finsl 2.3 NorcrosJuns 22 Finsl 3.16

Northern Foods...Julie 5 Int. 1.65 Pegler-Hattersley...June 6 Finel 5.031

Percy Silton ...June 2 Finel 4.535

Filkington 9ros...June 15 Finel 4.6

Press (Wm.)...May 22 Final 0.5688 Prop. el Hays Wherl...May 31 Finsl due Recal Flectronics...June 21 Finsl 5.8

*ReadicutMay 19 Finel 5

*Read Int.June 2 Finsl 1.244,

*800 Group ...June 11 Finsl 2.634

SketchleyJune 5 Finsl 3.294

Tesco Stores...June 20 Finsl 1.1939

Trusthouse Forte...June 18 Int. 2

TunnelJune 21 Finsl 9.5

*Ward (T.W.)...June 3 Int. 2.083

Wedgwood ...June 13 Finsl 2.428

Wastland

Wastland
Aircraft...Juns 15 Int. 1.0

"WhithreadMay 21 Final 3.477

Wilkinson Match...June 21 Final 7.146

"Wolv. & Dudley

9rews...May 30 Int. 2.5

9 9 ord meeting intimated 1 Rights
leaus since made. 1 Tax iree. § Scrip
Issue since made. 1 Forcast.

Hambros Bank

■ Hill Samuel\$17

Keyser Ullmann 17 Knowsley & Co. Ltd... 19

■ Morgan Grenfell 17

National Westminster 17 Norwich General Trust 17

P. S. Refson & Co. ... 17

Standard Chartered ... 17
Trade Dev. Bank ... 17
Trustee Savings Bank 17
Twentieth Century Bk, 17
United Bank of Kuwait 17

Whitesway Laidlaw ... 174 Williams & Glyn's 17

Langris Trust Ltd..... Lloyds Bank

Samuel Montagu

BASE LENDING RATES

н	BASE L
11	A.B.N. Bank
	American Express Bk. Amro Bank
$\ $	Henry Ansbacher A P Bank Ltd
	Associates Cap. Corp.
11	Bank of Credit & Crece.
	Bank of Cyprus Bank of N.S.W Bangne Belge Ltd
	Banque du Rhone et de la Tamise S.A
11	Barclays Baok Bremar Holdings Ltd.
ĮΙ	Brit. Bank of Mid. East

Choulartons 17 %
C. E. Costes 17 %
Consolidated Credits 17 %
Co-operative Bank 17 % Duncan Lawrie 17

Duncan Lawrie 17 %
Eagil Trust 17 %
E. T. Trust Limited 17 %
First Nat. Fin. Corp. 194%
First Nat. Secs. Ltd. 19 %
Robert Fraser 17 %

Mantony Gibbs 17 %
Greyhound Guaranty 17 %
Grindlays Bank 117 %

Guinness Mahon 17 %

Wintrust Secs. Ltd. ... 17 9 Yorkshire Bank 17 9 7-dsy deposits 15%, deposits 15%. 7-day deposits on sums of £10,000 end under 15%, up to £25,000 15%, and over £25,000 15%.

November Coffee 1827-1841 I.G. Index Limited 01-351 3466. 29 Lamont Road, London SW10 0HS. 1. Tax-free trading on commodity futures.

CORAL INDEX: Close 433-438 (unchanged)

RECENT ISSUES

E	Q	U	17	1	ES

Issus Price pt	Amount Pald Up	Rentino. Cate	15 Nigh	80 Low	Stock	Prios Prios pt	+ 01	Olv. P.	Times	Orose Yield	P.E.
85	F.P.	15/6	180	135	Amstrad Cons. Elect. Nemerdon Mining 19:	135		bd 3.8	5.0	6.4	7.0
190	F.P.	Ξ	76 101 84	74 94 251 ₂	Homs Farm Prods18p Morley (R.H.) 10p) Rocha Plant 10p	75 96 951g	+1	62.9 64.75 1.26		5.5 6.9 6.7	
110	F.P.	9/8	104	10	Trat.ofProp.Shrs.5p	10			=7	_	-

FIXED INTEREST STOCKS

3								
	facue to	Amount Pald Up	Lafest Remuno Cate		EO Low	Stock	Olosing Price as	+-0
	100p	F.P. F.P. F.P. F.P.	30:5 30:5	106 101 5 104 9212	954 1004 1004 1014 91	Edwards (L.C.) 5% Conv. Red. Cum. P imp. Cont. Ges 5% Conv. Loan. 1985-20 Leigh Interests 190c Conv. Ums Ln. 198 MitO Southern 10% Red Prf. 1985. North Brit. Props. 94% Cov. Uns. Ln. Norwest Noist 11:78 Red Cum Pref 11 Automated Sec. 8£ Cnv. Uns. Ln. '99	101 108 108 108 108 108 108 108 108 108	-lg +lg
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"RIGHTS" OFFERS

i	lesue Price	#5 5	Renunci Date	1980 Stock		E	. + or
	PT CO	Pald	• =	Nigh L	ow .	Stock Stock	-
	30 56 12 37 40 48 112 60cts 54 180 69	F.P. P.	1/6 12/6 29/5 4/ 30/6 - 16/6 13/ 65/4 23/5 - 9/5 27/ 14/5 27/ 13/6 14 18/6	764pm 20 11spm 11s 8 51 7pm 65 13pm 9 485pm ISO 741s 8	9 United Biscuit	ries 'A'	+2

Renuncistion date usually feet day for dealing line of stemp duty. In Figures based on prospectue estimate. In Second dividend and yield, Inforecast dividend: cover based on providus year's samings. Folvidend and yield based on prospectua er other efficial astimates for 1979. Q Gross. T Figures assumed. I Cover ellows for conversion of shares not now renking for dividend or ranking unly for restricted dividends. Placing price to public, pt Pence unless otherwise indicated. I lasued by tender. I Offered to holders of ordinary shares as a rights. ** Issued by way of capitalisation. §5 Reintroduced. T Issued to connection with reorganisation, merger or takeover. Il Introduction. I issued to lorner preference holders. E. Allettment letters (or fully-poid). © Provisional or partly-paid ellottment, letters. * With werrents, if United security. It issued so units comprising 2 participating prof. shares and 1 ord. share at R3.50 per unit. 1 Dealings under special rule.



UNIDOLLAR

Copies of a Bi-annual Report for the period to 26th March 1980 are available to shareholders at the offices of the Managers and Paying Agents.

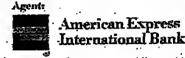
Managers: Barclays Unicorn International (Channel Islands) Ltd. P.O. Box 152, St. Helier, Jersey, CHANNEL ISLANDS

BARCLAYS UNICORN GROUP



Floating Rate Notes Due 1985

In accordance with the provisions of the above Notes: notice is hereby given that the rate of interest for the Interest Period from May 15, 1980 to November 17, 1980 has been established at 11 is to per aonum. Interest due: at the end of the Interest Period of US\$285.94 will be available upon surrender to any of the Paying Agents of Coupon No. 1.



International Banking Corporation

NOTICE U.S. \$50,000,000

National Westminster Bank Limited 9% Capital Bonds 1986



Holders are hereby informed that the 1st July 1980 redemption of US\$7,000,000 has been satisfied through purchase in the open market, and the balance remaining in circulation after this date is US\$43,000,000.

> THE CHASE MANHATTAN BANK, N.A. Principal Paying Agent

> > Schroder Life Group

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

Midianal Bank Tst. Corp. (Jersey) Ltd. 28-34 Hill St., St. Heller, Jessey. 0534 3624 Midland Drayton Gik. 196.5 97.041 12.3

01-588 646

Miller University | 17 June | 17

Prices on May 14. Next de Richtstend Life Ass. Ltd. 48, Athol Street, Douglas, LO.M. (2) The Sthey Frust. [219.2 D. Darmond Bd. [161.6] 1 ch Gilk Bond [124.9]

Rothschild Asset Mgt. (Ber P.O. Box 664, Bk. of Bermuda I

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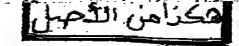


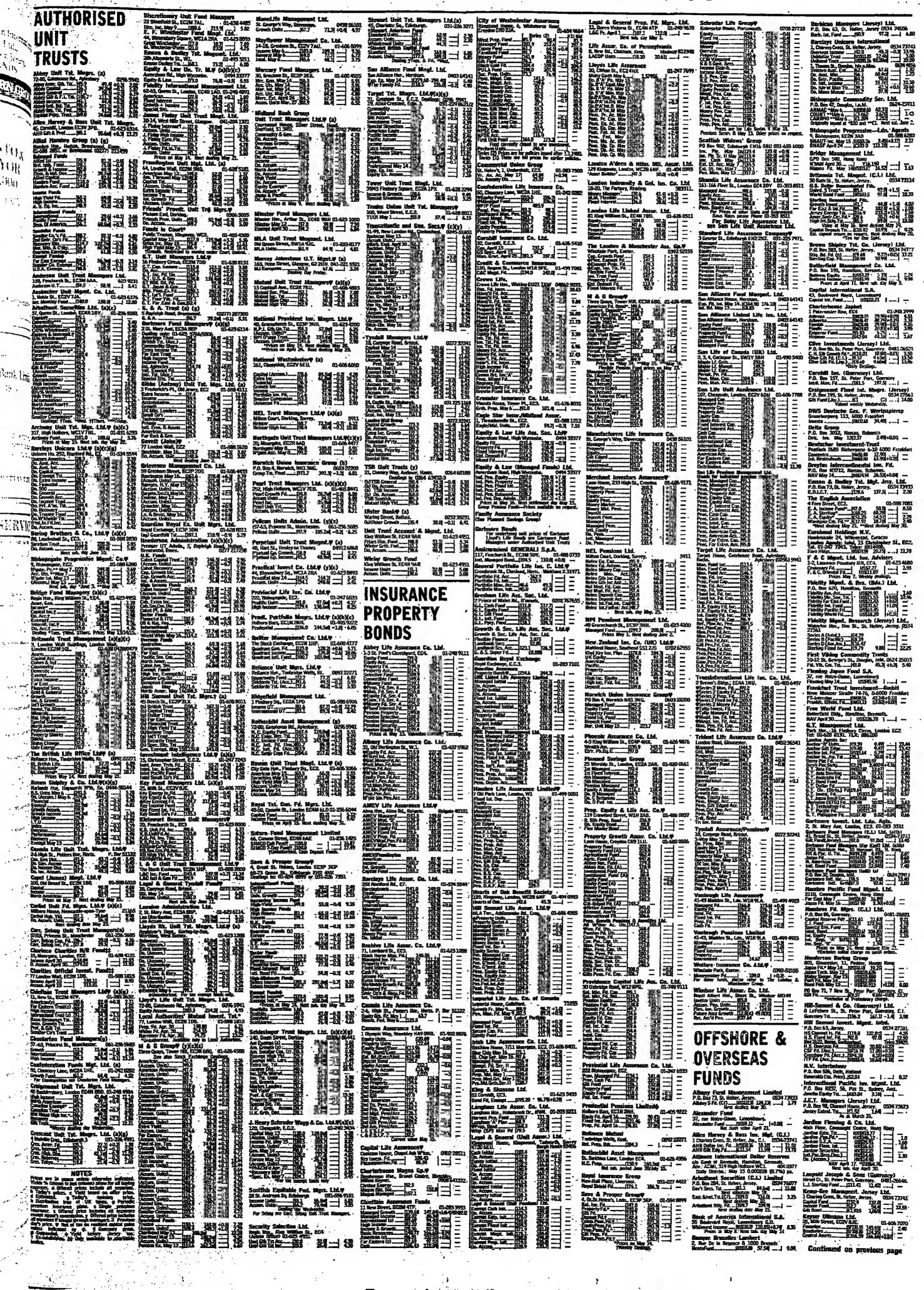
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26		·				Financi	I Times Monday May 19 1 FOOD, GROCERIES—C	ent
FRUEHAUF	FT	SHARE	INFORM	IATION	SERVICE		Policy Sport Price of State Sport Sp	
SERVICE TO THE TRANSPORT INDUSTRY	LOANS—Continued		& HP—Continued C	HEMICALS, PLASTI	CS—Cont. ENGINEE	그 병생 등 생 등	Feb. Step. (Stituteth 10s. 121 11.2 th 3.5 Jan. 105) Helen (A. 110s. 64 17.12 45 Jan. 105) Helen (A. 110s. 64 17.12 45 Jan. 105) Helen (A. 110s. 65 17.12 45 Jan. 105) Helen (Astronomical 10s. 35 18.12 17.22 Feb. Sept. Livited (Hidgs. 123s. 123s	
Crame Frushaud Lambed South Siner, Desman, North	Financial 30.1a 30.9FF113ac 1981	Apr. Oct Barchays 51 13.27 15.92 Jan. July Brown Shipl 14.36 14.89 Jan. July Cater Ryde 6.59 14.14 May Nov. Cilve Dis Int 6.52 13.06 Feb. Seet Com'l Apr. 0	1 422	App 84 7a Ped 10s 39 511 2 	17 21 8.0 8.4 Apr. Oct. IAlcan Alement 17 21 8.0 8.4 Apr. Apr. Allen W.G	二十二十四日 福港610 字 時間 東	Apr. Nov. Ricet Trade Sap. 82 25.742 Trade Roc. June Morris (W.) 10p. 136 144 22 48 48 48 48 48 48 48 48 48 48 48 48 48	
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Financial Times Monday May 19 1960



Haughey to press **Thatcher** on Ulster

THE MEETING on Wednesday between Mrs. Margaret Thatcher, the Prime Minister, and Mr. Charles Haughey, the Irlsh Premier, could mark a critical turning point in Anglo-Irish relations.

It is Mr. Haighey's first meeting with Mrs. Thatcher since be became Prime Minister last December and comes as Mr. Humphrey Atkins, the Northern Ireland posals for political devolution

Mr. Atkins is expected to propose a return to a thiuly disguised form of majority rple legislative with an executive which will not sbare power with the minority Catholic community.

Although Mr. Haughey's position remains that Ireland should he remulted by peace-ful means, he has not condemned Mr. Atkins' drive for devolution.

He belleves, however, that il does not go far enough and that the only way to bring both parts of Ireland closer is to have government-to-government dealings.

Mucb will depend on whether Mrs. Thatcher accedes to Mr. Hanghey's request that his Government be fully consulted over the future of Northern Ireland. It will also depend on what concessions he is prepared to offer for closer consulta-

Mr. Haugbey has repeatedly tried to reassure the Protestants of Northern Ireland that they would not become a perseculed minority

in a federal lerland.
It is helieved that should Mrs. Tbatcher agree to involve hlm in the process of bringing peace to the Province, he might be willing to change the Irish constitution to safeguard the religious rights of Protestants, amend the divorce law which at present forbids divorce and give Northern Ireland Protestants full voting rights in any new federal arrangement.

concessions are unlikely to move extreme Unionist leaders such as the Rev. Ian Paistey, wase clectoral support among Protestants makes him the final political arbiter of Northern Ireland's fate.

Whether the Irish Govern-ment will be consulted on future Nortebru Ireland polley will depend a whether Mr. Hanghey can convince Mrs. Thatcher that the acknowledgement of an Irich disension is the only way that the Nortbern Ireland problem can ever he solved. tion is that Northern Ireland is a matter for the British Government and the people of Northern Ireland alone to

Mr. Atkins bopes the 500.000 Catholic minority and the main Catholic moderate group, the Social Democratic and Labour Party, will he induced to take part in the new legislature by weighted majorities i nthe parliament and possible financial incentives.

Continued from Page 1

The Nine

tiated solution through the and the Organisation for Economic Co-operation and Palestine Liberation Organisa Development, that Turkey Mr. Muskie was quite clear making State enterprises and

last week in Europe that the attract foreign investment. U.S. did not want any rival initiatives on the scene until it was satisfied that the Camp David process could go no The EEC, however, looks set

to ignore this on the grounds that Camp David is heading for failure on the Palestinian question, and that the November Presidential elections in the U.S. rule out any further strong pressure from Washington for concessions from Israel. The UK in particular helfeves

that the looming hiatus and loss of momentum in the negotiations could brine dangerous reactions from the Middle East. other things. London fesrs that recent moves by the Israeli Government, including its legislation on Jerusalem, risk inflaming Islamic funda-

Foreign Ministers in Naples quarterly rather than annually, vesterday. He said Japan would implement sanctions in line with the actions by the EEC countries. The practical form of the sanctions will be decided upon very soon, he said.

Mr. All Akbar Moinfar, the sidered by the Officers' Steering Iranian Oil Minister, said Group consisting of Govern-yesterday Iran had not changed ment civil servants and local its policy on sanctions, which authority associations officers. Its policy on sanctions, which is accurately asserted with the line ludes halting nil shipments in an Thursday, and by the joint Schroder Wagg, over the terms for its non-voting stock, states imposing an economic Government-local authority conjuncted hid for Clifford's and thus its proposed hid was boycott against Iran in an sultative council on local govern. Desiries, as may have been not "comparable" within the attempt to gain the release of ment finance attended the U.S. hostages.

TUC views technology plan

the draft of a framework agree-ment submitted by the CBI on nology by companies. If agreement can be achieved on the document it would be

the only formal co-operation between the two organisations. Although hoth sides have something to gain from an agreement, tehre are formldable obstacles to overcome.

Included in the CBI draft are some areas of common groundthe recognition of the importance of technological advance, particularly in the field of micro-electronics: the need for full consultation with the

on the future of Harland and

Wolff, the beavily subsidised Belfast shipperd, in the next

few weeks.

A fundamental review of the

company's position and pros-pects has been completed and

now awaits the decision of Mr.

Giles Shaw, the junior Minister responsible for industry in the

The yard has virtually run out

of work, the prospect of win-

ning new orders is bleak, and

its cash resources have been

Over the last 15 years

Harland and Wolff, one of the

most modern shippards in Europe, has received more than

£150m in Government aid. Last

year, the Government ear-marked a further £22m but this

General Council of

British Shipping says 388 ves-

laid-up around the world at the

end of March, hit hy depressed

rates, compared with 390 ships

of 10.68m dwt a month earlier.

develop an indigennus motor

industry, is to open its doors

to substantial foreign invest-

ing to sell up to 60 per cent of the Tumosan bolding company.

which has an initial capital in-

vestment of \$1.08hn (£473m) if

partners can be found.

The decision reflects the policy of Mr. Suleyman Demirel,

the Prime Minister, to encourage private enterprise, it also reflects concern fell outside

the country, chiefly by the International Monetary Fund

should curh the growth of lass-

LOCAL AUTHORITIES have

agreed on a draft code of prac-tice on the extent of financial

information they sbould publish. This is in line with Government demands that they

become more accountable to the

Some local authority officers fear the code may gu too far in linking publicly ratepsyers' money and local authority

management.
Mr. Michael Heseltine, the

Environment Secretary, is understood to feet it may not go

far enough, He wants man-power statistics published

ratepayers who elect them.

The Government may he will-

els totalling 11.87m dwt were

show another big loss.

exhausted.

The

impact on manpower, partici-larly where new technologies demaod retraining.

Beyond these common areas, differences hetween the approach of the two hodies, both over emphasis and substance,

A major stumbling-block is the existence of the TUC's document. "Employment and Tech-nology," which was presented to. year. The document has been used by a number of constitueot unions as a basis for their own reports on new technology.

eports on new technology.

As the CBf recognises, a however, noth sides are likely

Government decision soon

considerations is that the com-

pany employs about 7,000 people

in Belfast, an area where

unemployment is severe. It is also one of the higgest

employers in Northern Ireland.

the world, it has suffered from

the severe shipbuilding recession. But its plight has been exacerbated by low pro-

ductivity and serious delivery

delays which have discouraged

Considerable sums were spent

on modernising the yard in 1973

and it is ideally suited for build-

ing very large tankers of up to

Im dwt. However, demand for these has dried up and Harland and Wolff has been forced to

as ferries, for which it is not particularly well suited.

bas now gone.

In 1978, the yard lost £25.5m,
and the 1979 results, due out thought for the next month, are expected to appears unwilling to give an redundancies since, with a

how another big loss.

Open-ended commitment to fund
The Government announced
Harland's losses.

Harland will no longer be a
set July that it was underMr. Hugh Rossi, the Minister viable international shipbuilder.

in the tanker trades. The

GCBS figures show that the size

9.26m dwt. The size of the idle

dry cargo fleet also rose

Tumosan seeks foreign capital

owned by the Government hut

intended to he run on entre-

Tumosan is engaged in five

major projects, involving the manufacture of 100,000 tractor

engines, 29,000 diesel engines.

light diesel

engines and 75,000 gear-boxes by

New companies are to be

formed to deal with each of

these projects and the foreign licensors involved are to be

invited to buy ento them, Mr. Sedat Celikdogan, Tumosan's

"We want to determine ton

general direction of the motor industry," said Mr. Celikdogan.

Councils agree new draft code

The code fulfils the Govern-

issue of May 17.

general director, said.

slightly, to 2.61m dwt.

f 10.68m dwt a month earlier. For some months, freight up the 229.

At the height of the shipping rates for VLCCs have not been Flekkefjord.

preneurial lines.

TUMOSAN, the company set up of State holding companies by the Turkish Government to owned by the Government but

Low rates keep tankers idle

and Wolff has been forced to likely to involve further sub-huild much smaller ships such stantial redundancies. The

of idle tonnage is most marked them to the scrapvards.

of the idle tanker ficet in tanker chartering report, Kos-March rose by 12 per cent to mos Bulkschiffahrt recently

notential customers.

next month, are expected to appears unwilling to give an

Like other shipyards around

on Harland and Wolff

necessity to take account of the favourable than those set out in an agreed document, would not be ratified by the TUC's moneral

> A further difference is likely to surface over the definition of "negotiation" and "collective bargaining." The CBI is concerned that an agreement should not allow lengthy bargaining over every new technique to be introduced, while the TUC is equally anxions that the introthe changes of work practice it entails, be seen as a continuous process which is itself the proper subject for bargaining.

> shipbuilding, he stressed that

the solution of Harland's prob-

lems was a matter entirely for

The Government has resisted

pressure to reinstale Harland

aod Wolff as a naval ship-

huilders (it bullt its last war-ship in 1969). In addition, it

has not allowed the yard to build ships "on spec," which would be another way of keep-

ing the lahour force employed.

ment's plans for Harland seem

workforce has already fallen

According to Davies

laid up its 386,178 dwl Bremen

in Walvis Bay and Norway's

Offers have been made to

Volvo. of Sweden. Daimier-Benz and ZF, of West Germany.

Fiat of Italy, and Milsubishi,

of Japan, all companies with

which Tumosan has licensing

For its part. Daimler Benz is

negotialing the purchase of a 34 per cent interest in the truck

tives of Volvo, which is believed

in he interested in huying a

stake in the same company, are

expected in Ankara for discus-

Is Bankasi and Akbank, two

of Turkey's largest private

banks, are also discussing forms

of garmership with Tumosan. The Islamic Development Bank

agreements.

engines and 75,000 gear-reading diesel engine project which in-1985. It will also produce diesel engine project which in-25,000 tractors a year, starting an estimated copital cost of \$230m (£100.8m). Representa-

"The rest can be left to privale has also been invited to parti-

ment's aim that comparative Charlered Institute of Public information should be given on Finance and Accountancy and

lates: monthly

Consequently, the Govern-

management and workers,

importance of health and safety framework agreement, the terms to persevere with the negotia-factors: and the likely of which were substantially less tions.

The TUC wants to keep up the momentum on new tech-nology, which it regards as essential to the competitiveness of British industry. It is also keen to see the CBI take up a position which might he interpreted as "interventionist"possibly calling for more trainin contrast with the Govern ment's rendency to disengage

The CBI believes its members would benefit from the exist ence of an agreed statement which could serve as a model for the introduction of automation in factories while helping to minimise disruption.

Japan goes to polls on June 22

THE GOVERNMENT is ex-taking a review of the company, of State for Northern Ireland, pected to announce its decision. One of the Government's said recently unless the yard One of the Government's said recently unless the yard Diet (Parliament) and an eleccould sstisfy customers that it could deliver the goods when the customers wanted them, it on June 22. would have no customers. In

Mr. (thira, however, was be-lieved to have decided against expelling reliel members from THE AMOUNT of shipping laid slump in 1978, 368 tankers of envering most owners operating the Party for the time being. up has started to rise again as shippowners put their Very Large of 14.5m dwt were laid-up.

Crude Carriers (VLCCs) Into

The increase in the amount up their super lankers or send LDP majority in the Diet and LDP majority in the Diet and

> The LDP holds hair's breadth majorities in both upper and lower houses and will he hard pressed to retain these

Hansen-Tangen group has laid is expected to lead to enalition up the 229,330 dwt Adna in negotiations between the LDP negotiations between the LDF and one or more of the small

UK TODAY

Dry and mainly sunny. Wind CE, light, Max, 19C 166F1 N.W. Scotland, N. Ireland Sunny periods with scattered showers developing and variable wind, Max. 19C 166F). Outlook: Becoming cooler with

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A GENERAL Election to the lower house of the Japanese tion for half the sears in the Diet's upper house will be held

The unprecedented simultaneous election was decided on over the weekend after the no-confidence vote against the Cahinet of Mr. Masayoshi Ohira. Mr. Ohira, who has been Liheral Democratic Party (LDP) leader and Prime Minister since late 1978, will stay on as a caretaker Premier the election. He may attend the Venice summit, whose first session coincides attend with the Japanese elections. Other events scheduled for the next few weeks, such as the visit to Japan of chatrman Hua

Guofeng of China, will take place as planned. The Japanese political world was still in a state of shock last night, two days after the surprise defeat of Mr. Chira's Government. No meetings have taken place between the Prime Minister and leaders of the antimainstream factions within the LDP whose absence from the

Diet session led to the Govern-

probably lead to formation of a new party by anti-Ohira factions.

Loss of the party's majority centre partics-Leader, Page 14

Weather

DRY with sunny periods, but scattered showers in West Scotland, Coul near East coasts.

London, S.W. England, Midlands, Wales, N. England Mainly dry with sunny periods Max, 22C (72F). Channel Isles, E. Anglia, East

Coast Mainly dry with sunny periods hiii light North-East wind, Max. 1911 166F v N.E. England, Scotland

some showers.

WORLDWIDE

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	how, where and why significant changes in costs have incurred compared with the previous. A service-by-service breakdown of estimated gross expenditure is proposed, together with details of total gross income. The comparison with the previous year should show the part of the total rate which has changed as a consequence of inflation, changes in grant, provision of services, income and in balances. Linicate bid for WE HAVE heen asked to make it clear that the Takeover Panel has not rensured or imputed any intercopriety in Unigate urits financial advisers J. Henry	how, where and why significant changes in costs have accurred compared with the previous A service-by-service break down of estimated gross expenditure is proposed, together with details of total gross income. The comparison with the previous year should show the part of the total rate which has changed as a consequence of inflation, changes in grant, provision of services, income and in balances. 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THE LEX COLUMN

Floating coupons get a go-ahead

the raising of floance, some merchant bank could well announce the first Euro-sterling floating rate note (FRN) before thet week is out. This follows a change of heart by the Bank of England which has hitherto regarded issues of such securi-ties by UK banks as an obvious circumvention of the now-defunct "corset" control. Banks, rather than industrial

companies, ar ethe most natural issuers of such notes because they have a special incentive to horrow floating rate funds at somewhat over the interbank rate. A Eurosterling FRN issue can improve the liquidity and capital position of a bank because the funds are raised for a number of years and because the paper is sub-ordinated to deposits when it comes to repayment.

companies. Industrial contrast, can raise floating rate finance more cheaply from banks than they can through the issue of FRNs. Even with the banking corset in place such companies never moved to finat euro-sterling FRNs—the Bank of Eogland's bao did not apply to non-baok issuers-and now that the corset is being removed the competition to attractive Inans

industy cao presumably only The problem for the pioneering tssuing house which launches the first euro-sterling FRN lies in gauging the investor response. Floating rate notes have investor appeal against a background of rising interest rates. The current sterling interest rate picture favours fixed interest investment.

The second uncertainty over FRNs is the controversial paper oo ilquidity now helng alred by the Bank of England. It remains unclear whether Eurosterling FRNs will he regarded, under the guide-lines, as liquid assets like gilt-edged, or whether they will be treated as long term interbank loans which detract from the holder's liquidity.

bigger, numerically the British sharebolders will actually be

easily in the majority.

It is already a well established procedure that British companies and their speakage their States should repackage their shares in the form of American Depositary Receipts, mainly in get the effective price out of the penny stocks category and up to a level which confers respectability. Thus BP, by put-

ting four into one, gets its around \$30 which is comparable

for some reason like to own lots of low priced shares rather thain a few heavy ones, so Marsh is not only proposing to split its own U.S. shares on a one-forone basis hut will make one BDR equal to a terrih of a share. The recovery has been sup-Against a current share price ported by more internationally-

iog small dollar payments. And UK basic rate tax will be de-ducted at source, emphasisting that despite the name these will gross which are common in, say, the Euromarkets.

By no means all British to hold Marsh in BDR form, however. Most large institutions are already well accustomed to holding foreign equities direct, and they have established procedures to allow them to cope with technical problems fixe market.

currencies and tax. They will
only he interested in BDRs if short le

Depositary Receipts forms an change, is to develop an arrive medium term. While the important element of the and efficient market in a appreciation of the ven will group's altempt to hold on to the substantial block of British large UK holdings, based upon have little effect on the combinatorial will inherit from common stock will be listed the possible depth of the U.S. C. T. Bowring, Immediately the for hig UK and European recession could prove more of bid goes through Bowring's investors, while the BDRs will a constraint on earnings. In shareholder, will own about 24 he attractive to smaller private contrast, the current health of

will have received a nasty

A few weeks ago the fall

the Japanese Government would have had serious reperdomestic financial markets. The Government had spent most of shore up the currency, in spite of which the rate fell to a lnw with, for instance. Texaco or of Y264 against the dollar in Gulf. Currently Tricentrol is early April. However, in the planning to group a number of last three weeks the yen has shares into a package which can staged a strong recovery, he launched on to the U.S. initially against the dollar. where the rate stood at Y227.6 market. where the rate stood at Y227.6
With BDRs it works the other on Thursday, and later against way around. British investors, the other major currencies as after the fall of the Ohira Government has been strictly limited, with the dollar rate closing at Y229.5 in London on

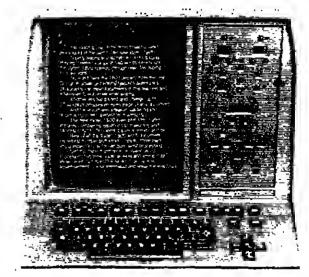
of some \$56, Marsh will end up competitive interest rates, comwith a unit worth around 125p bined with prospects of inflation which will fit comfortably into peaking in the third quarter at the insurance brokers' share only 10 per cent. Both equities and bonds have risen with the There are other reasons for currency, with foreign invest-promoting BDRs. An easier ment beavily in evidence, transfer system can be set up in the UK: dividends will be bumped sgainst the 25 per cent paid in sterling sparing the UK foreign ownership limit, includinvestor the nuisance of converting Hoya Glass, Fujitsu Fanuc, Clarion and Canon.

While dealing volumes have been heavy, the overall rise in the Tokyo New Stock Exchange not be the type of anonymous index since the beginning of the bearer securities paying income year has been limited to about 4 per cent. A lot of the activity has been in switching out of the energy-related sector into blue shareholders are likely to wish chip exporters and domestic stocks. And at least part of the activity reflects aggressive marketing by the securities houses after their profits were savaged in the six months to March hy the steep decline in the bond

The likely reaction in the only he interested in BDRs it short term to the fall of the they sell at a discount to the Government hinges on fears that a centre-right coalition Marsh and McLennan's proposed launch of UK Bearer for the London Stock Ex. should strengthen over the per cent of Marsh equity, and buyers. If the attempt flops, the Japanese economy makes because the American share- and the Marsh equity rapidly the domestic stocks look holdings are on average much disappears back across the attractive.

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